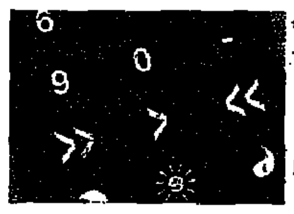
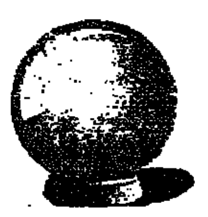
Nairobi reopens to foreigners

Santer takes over
The EU's new leaders
Page 11

Pollution war
US fuels a move to cleaner air
Page 8



The way we watch
Cultural choice by remote control
Richard Eyre, Page 9



Forecast 95
Japan looks for innovation
Page 10

FINANCIAL TIMES

Europe's Business Newspaper | WEDNESDAY JANUARY 4 1995 | D8523A

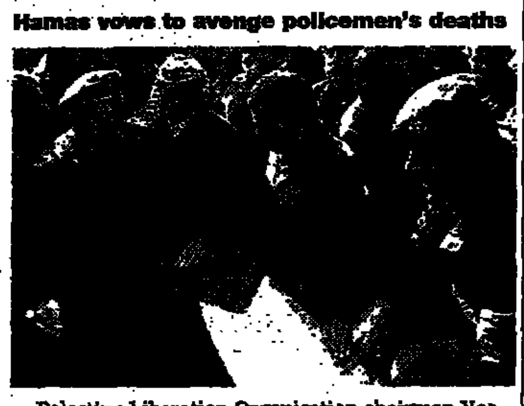
Virgin Atlantic wins go-ahead for case against BA

Virgin Atlantic Airlines won the go-ahead yesterday to pursue its efforts to bring a $1bn anti-trust lawsuit against British Airways in the US. A US judge rejected a BA motion to dismiss the central anti-trust aspects of Virgin Atlantic's lawsuit. Virgin started the action in 1993 after the collapse of talks to try to resolve the so-called "dirty tricks" dispute with British Airways over transatlantic routes. Page 13

Cassette prices set to rise: Steep increases in raw material costs are set to push up the price of video and audio cassettes by more than 10 per cent this year. China, a cheap source of cassette cases in the 1980s, now dominates the market and is using its power to force up prices. Page 12

Aids cases surge: The number of Aids cases officially reported worldwide has topped one million for the first time – a 20 per cent rise from a year ago, the World Health Organisation said. It estimates the actual number of Aids sufferers at 4.5m. Page 3

Hamas vows to avenge policemen's deaths



Palestine Liberation Organisation chairman Yassir Arafat marched in Gaza City yesterday at an emotion-filled funeral for three Palestinian policemen killed on Monday in a clash with Israeli troops. But the Islamic resistance movement Hamas vowed to avenge the killings. It alse also called for a strike in mourning for the policemen and criticised Mr Arafat for allowing high-level Israeli-Palestinian talks to resume in Cairo yesterday. Page 12

British embassy threatened: The UK government has received a letter saying Britons will be killed unless Britain closes its embassy in Algeria by Saturday. The letter, written in German, is thought to come from Moslem fundamentalists. Similar messages appeared to have been sent to other Western countries. Page 3

South African workers protest: Thousands of South African government workers staged protests in Pretoria in what could become a big public service strike if pay demands are not met. Page 3

Iran sells store shares: Iranian banks began selling shares in a chain of 1,000 stores which the government says will break the hold of bazaar merchants and bring lower prices. The stores are the centrepiece of President Akbar Hashemi Rafsanjani's anti-profiteering drive.

Sri Lanka peace move: The Sri Lankan government and Tamil separatist rebels held peace talks and agreed to cease hostilities as a prelude to ending their 12-year war, government negotiators said. Page 3

Drug-filled pens seized: Pakistani customs officers seized more than 50,000 heroin-filled ballpoint pens in a raid on a hotel room in Rawalpindi. Two Nigerians were held and accused of attempted smuggling.

Austrian prices fall: Consumer prices have tumbled in Austria since the country's entry into the European Union as the once-protected food market opened to competition. A price war has broken out among the nation's leading food stores. Page 2

Interest rate speculations cools: Bank of England figures slightly dampened speculation that UK interest rates will rise again soon. The data showed that the annual growth rate of the M0 narrow money supply measure slowed last month.

Toys "R" Us knocks retail hopes: US retailers' hopes of a good winter season were dented when Toys "R" Us, the world's biggest toy retailer, said sales at its US stores rose by only 1 per cent in the eight weeks to Christmas Eve. Page 15

Mid-Atlantic grumble: Guy Delage, the 42-year-old Frenchman who is swimming the Atlantic, complained he was getting fed up after more than two weeks in the water and was finding it hard to sleep. He is about 1,100 km (690 miles) into his trip.

■ STOCK MARKET INDICES

FT-SE 100:	3,065.7	(+0.2)
Yield	4.20	
FT-SE Eurotrack 100	1,332.56	(-0.66)
FT-SE-A All-Share	1,521.08	+0.0
Nikkei	closed	
New York: lunchtime		
Dow Jones Ind Ave	3,836.79	(+2.35)
S&P Composite	458.94	(-0.93)

■ US LUNCHTIME RATES

Federal Funds:	5⅞%
3-mo Treas Bills: Yld	5.687%
Long Bond	96½
Yield	7.913%

■ LONDON MONEY

3-mo Interbank	6⅝%	(same)
Life long gilt future:	Mar 100⅞	(Mar100[illegible])

■ NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$16.23	(16.485)

■ GOLD

New York Comex (Feb)	$ N/A	(384.1)
London	$380.3	(382.75)

■ STERLING

New York lunchtime:		
$	1.56515	
London:		
$	1.5628	(1.5645)
DM	2.4284	(2.425)
FFr	8.3728	(8.3494)
SFr	2.0511	(2.0474)
Y	156.806	(156.09)
£ Index	79.8	(79.7)

■ DOLLAR

New York lunchtime:		
DM	1.55365	
FFr	5.355	
SFr	1.31185	
Y	100.43	
London:		
DM	1.5539	(1.55)
FFr	5.3578	(5.3368)
SFr	1.3125	(1.3087)
Y	100.34	(99.77)
$ Index	63.3	(63.1)

Tokyo close Y closed

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Dinl.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK65	Israel	Shk7.99	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y600	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM16	Kuwait	Fils.625	Portugal (m'land)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Es225	Turkey	L40,000
Germany	DM3.50	Lux	LFr70			UAE	Dh12.00

Russians renew assault on Grozny

By John Thornhill in Moscow

Russian troops launched another bloody assault on the Chechen capital Grozny yesterday, causing heavy casualties and provoking fresh outrage in Moscow and abroad.

After Russian warplanes bombed the city in the morning, interior ministry troops and army units launched a fresh ground offensive. Witnesses said the Russian troops came under heavy rocket and gun fire from Chechen resistance fighters in multi-storey buildings.

A correspondent from the Interfax newsagency reported fierce fighting around the railway station where dozens of Russian tanks were destroyed and the bodies of more than 100 soldiers lay strewn in the square.

The Russian government said later its forces had tightened their grip on the centre of Grozny, seizing the presidential palace, the railway station and other administrative buildings. But the situation remained confused last night with Chechen resistance fighters saying they still held important parts of the city.

Mr Dzhokhar Dudayev, the Chechen president, appeared on local television late on Monday to threaten that he would kill captured Russian servicemen unless Moscow agreed to peace talks.

Mr Dudayev described the battle in Grozny as a "catastrophe for the attackers and a tragedy for the defenders". He has written to Mr Victor Chernomyrdin, Russia's prime minister, appealing to him to "display reason".

The escalation of the fighting, which has left hundreds dead in the past three days, was fiercely condemned by liberal politicians in Moscow yesterday. Mr Yegor Gaidar, the former prime minister, urged President Boris Yeltsin to stop a "massive military crime" before Russia slid into a "military-authoritarian regime". He said "the danger of a such a regime being established in Russia has never been so real."

However, Mr Gaidar said his parliamentary faction, Russia's Choice, would not withdraw its four representatives from the government, believing it was better to oppose the military policy from within.

Senior Russian officials suggested yesterday there was no room for compromise. Mr Viktor Ilyushin, the chief presidential aid, said: "The federal authority has no other choice than to go to the very end in its efforts to resolve the crisis." He condemned politicians who were attempting to make political capital out of the crisis. "Some people see it as a kind of political Klondike", he said.

The majority of western governments still argue that Chechnya is an internal matter for Rus

Continued on Page 12

A Russian soldier lies dead near a tank outside the presidential palace in Grozny as Chechen fighters wait for another Russian attack Picture: AP

Chemical Banking loses $70m on trader's peso deal

By Richard Waters in New York

Chemical Banking, the third-biggest US bank, has lost $70m on an unauthorised deal in the Mexican peso following the unexpected devaluation of the currency two weeks ago.

The loss stems from a position in the peso built up by one of its New York-based foreign exchange traders before the devaluation. The trader, who was not named, had deliberately hidden the size of the position, which far exceeded authorised limits, Chemical said.

The loss is the biggest yet to emerge from the turmoil in the peso markets in the wake of Mexico's devaluation. Other US commercial and investment banks are also thought to have lost substantial amounts on peso-denominated debt instruments, which have been among the most heavily traded foreign securities on Wall Street.

Chemical called the peso losses "an isolated incident", and said it had now brought its exposure to the Mexican currency within its normal authorised limits. However, other banks expressed surprise that a single trader, acting alone, had been able to hide such a large position. Most banks have spent heavily in recent years on better risk management systems to prevent this unauthorised trading of this type.

The peso crisis is the latest in a series of events to hammer bank trading profits in recent months. The collapse in US bond markets last year, and the knock-on effects on emerging country debt markets, had already depressed bank profits after a string of record trading results in 1992 and 1993.

Even before the devaluation, three big New York-based banks – J.P. Morgan, Bankers Trust and Chase Manhattan – had warned in December that their profits from trading in financial markets in the last three months of the year were likely to be lower than expected. The subsequent fall in Mexican financial instruments is likely to have fur-

Continued on Page 12

Mexico agrees on emergency measures

Plan aims to limit pay rises, hold down prices and cut spending

By Ted Bardacke and Stephen Fidler in Mexico City

The Mexican government announced the basic terms of its emergency economic programme yesterday, with leaders of government, business and the labour unions agreeing to limit wage increases, restrain prices and maintain a flexible exchange rate.

The announcement was delayed for nearly 12 hours as negotiators haggled over details of the plan, principally the tight hold on wages which was being resisted by the unions. President Ernesto Zedillo, however, praised the unions' contribution to the economic package when, a few hours after the announcement, he finally delivered a televised address explaining the accord. "We should confront this situation with the firm understanding that it will require sacrrifices by all," he said.

The peso and the Mexican stock market both fell yesterday as investors waited to hear President Ernesto Zedillo explain the plan in a television address.

At mid-session the peso was trading at 5.425 to the dollar, down from Monday's close of 4.925. The main IPC indicator of the stock market was down 1.09 per cent.

Other Latin American markets fell in response to Mexico's weakness, with the Brazilian Bovespa index falling 5 per cent and the Argentinian Merval index dropping about 3 per cent.

The terms of the economic plan, known as the Pacto, provide for no wage increase beyond the 7 per cent rise that had been agreed before the peso's sudden devaluation two weeks ago. Business leaders promised to hold down prices by reducing profit margins.

In an additional measure designed to control inflation, the government will cut spending by 1.3 per cent of gross domestic product, or some 18bn pesos.

The government estimates a 1995 fiscal surplus of 0.5 per cent of GDP. Economic growth for the year is projected to be between 1.5 and 2 per cent, at least halved from a previously projected 4 per cent.

An inflation estimate was not included, although government officials suggest a target of around 16 per cent will emerge.

The plan also puts a $14bn limit on this year's current account deficit, the growth of which has been blamed for forcing the devaluation.

The government says that this deficit will be covered by additional foreign borrowing by the public sector, direct foreign investment, and a roll-over of foreign investment in government securities. International reserves of $6.14bn are also available.

The government said an $18bn international credit line from the US, Canadian and other governments and commercial banks would not be used to finance the current account deficit.

Private investment will be permitted in railways and satellite communications and bids will be taken for container terminals at the country's four main ports.

AP-DJ adds from Paris: Mr Michel Camdessus, managing director of the International Monetary Fund, said the reaction of the financial markets to the peso's flotation was "certainly excessive".

Page 4
- Zedillo hands his critics more ammunition
- US stumps up for stability

Lex ....Page 12
Currencies ....Page 24
Stock markets ....Page 26

Saatchi ends links with advertising group he founded

By Diane Summers in London

Mr Maurice Saatchi, deposed chairman of Saatchi & Saatchi and one of the best-known names in the advertising world, yesterday severed all connections with the company he founded 25 years ago.

In an emotional letter to staff of the group's Saatchi & Saatchi advertising subsidiary, Mr Saatchi complained the group had been "taken over" by a minority group of shareholders.

He wrote: "No bid for the company has been announced. No offer has been made. No premium has been paid. No shareholder vote has been taken. But, make no mistake, Saatchi & Saatchi is under new control."

Mr Saatchi rejected an offer made by the group board to stay on and accept the largely honorary titles of president of the holding company and worldwide chairman of the Saatchi advertising network.

Sir Tim Bell, Mr Saatchi's adviser, and a former colleague, said Mr Saatchi had not decided what he would do next.

Mr Charlie Scott, group chief executive, said he had received the news of Mr Saatchi's departure with regret. "I thank Maurice for the valuable contribution he has made. While Maurice will be missed, I have every confidence in the many other outstanding employees of this group whom I am certain will continue to service clients to the highest possible standard," he said.

Mr Saatchi's severance package has yet to be finalised. He is six months into a three-year contract worth £200,000 ($312,000) a year.

The company denied there had been any takeover by a minority group of shareholders and said there had been majority shareholder support for the removal of Mr Saatchi.

The revolt, led by Mr David Herro of Harris Associates, the Chicago fund managers, led to a boardroom coup just before Christmas, resulting in Mr Saatchi losing his chairman's position and his seat on the board.

The row centred on an options package proposed for Mr Saatchi. There were other disagreements on relations with the chief executive, naming of the holding company and whether sale of the Bates advertising network should be considered.

Saatchi shares closed at 146p, down 3p on the day.

Editorial Comment, Page 11
Adman overcome by creative tensions, Page 13

CONTENTS

News
European News 2
International News 3
American News 4
World Trade News 4
UK News 5
People 7
Weather 12
Lex 12
Features
Leader Page 11
Letters 10
Management 7
Observer 11
Environment 8
Arts 9
TV and Radio 9
Crossword 18
Companies
UK 17
Intl. Companies 14,15
Intl. Cap Mkts 16
Markets
Commodities 18
FT Actuaries 19
FT World Actuaries 28
Foreign Exchanges 24
Gold Markets 16
Equity Options 28
Int. Bond Service 16
Managed Funds 22,23
Money Markets 24
Recent Issues 28
Share Information 20,21
Traditional Options 28
London SE 19
Wall St/Bourses 25-28

Gaidar calls Chechnya war 'a crime'

By John Thornhill in Moscow

Mr Yegor Gaidar, the leader of Russia's biggest parliamentary faction, yesterday condemned the use of force in the breakaway republic of Chechnya as a "massive military crime" that must become the subject of international concern.

The ex-prime minister, previously one of President Boris Yeltsin's staunchest allies, appealed to his former colleague to stop the "adventurist" policy which threatened a military catastrophe and a slide into authoritarianism.

"Only the president can stop the bloodshed in Chechnya," Mr Gaidar said, demanding that Mr Yeltsin ditch those advisers responsible for the attempted storming of Grozny, the Chechen capital. He singled out Mr Nikolai Yegorov, the nationalities minister, Mr Oleg Lobov, secretary of the security council, and General Pavel Grachev, defence minister, for giving the president flawed advice.

However, Mr Gaidar, who was speaking after a meeting of the liberal Russia's Choice faction which he leads, said it was necessary for the faction to pursue a "pragmatic" political course despite its principled opposition to the war. "We categorically do not support the policy which the president is pursuing in Chechnya but we are are against impeaching the president and calling early elections," he said.

Russia's Choice, which forms the biggest faction in the Duma, the lower house of parliament, has already withdrawn its parliamentary support from Mr Yeltsin. But it decided yesterday not to withdraw the four ministers it has in the government. The withdrawal of Mr Anatoly Chubais, a leading member of Russia's Choice who was recently promoted to first deputy prime minister, would particularly have damaged the government's credibility during its critical talks with the International Monetary Fund over financial assistance.

Russia's Choice has also placed advertisements in the newspapers to collect signatures and apply extra-parliamentary pressure on Mr Yeltsin to stop military action. Mr Gaidar said the Russian public had to decide whether it was better to cease hostilities and start talks with Mr Dzhokhar Dudayev's separatist regime in Chechnya or approve an inescapable increase in military force.

Mr Gaidar's outspoken opposition has prompted some dissension within Russia's Choice's ranks, with some members criticising him for failing to come up with any alternative solution to the crisis.

Mr Andrei Kozyrev, Russia's foreign minister, who quit the faction over its Chechen policy, has since emerged as one of the most articulate advocates of the need to use force to preserve Russian statehood.

At the prompting of journalists yesterday, Mr Gaidar said he thought it was possible to talk to Mr Dudayev about stopping hostilities, restoring security in the region and holding free elections under international control.

But this policy is regarded as unrealistic by Mr Gaidar's critics, who argue that Mr Dudayev would win any such elections.

Russian anti-war protesters lying in central Moscow yesterday during a demonstration against the rising death toll in Chechnya Reuter

Bonn deplores Russian force

By Bruce Clark in London and Judy Dempsey in Berlin

Germany, dismayed by Russia's unwillingness to heed western advice, yesterday described the situation in Chechnya as a tragedy and deplored the fact that Moscow was using excessive force.

France, which has just taken over from Germany as president of the European Union, renewed its call for Moscow to use the peace-making machinery provided by the Organisation for Co-operation and Security in Europe.

However, Paris acknowledged the difficulty of persuading Russia to accept a role for the OSCE – a loose, 53-nation body which normally seeks consensus from all the parties before getting involved in a conflict.

French officials said the OSCE, known until recently as the CSCE, bound all its members to a minimum set of humanitarian standards; the question of whether Russia was meeting these standards could be raised at a meeting of senior officials in Vienna on January 12. It was possible that the foreign minister of one or more OSCE countries might table the issue even sooner, they added.

The latest German comments were made by Mr Klaus Kinkel, foreign minister, who has come under strong domestic pressure to take a firmer line with Moscow over Chechnya. "There is no doubt they exceeded what was proportionate," he said, referring to Russia's onslaught with tanks and fighter-bombers against the rebellious enclave in the northern Caucasus. Mr Kinkel also suggested there might be limits to what the international community could do, saying: "The whole thing is a tragedy and it cannot be solved from abroad."

Foreign ministry officials in Bonn said Russia's continued use of overwhelming force against the Chechens amounted to a "slap in the face" for both Germany and the OSCE. Yet the officials admitted the Chechen crisis was presenting them with an almost insoluble dilemma. On one hand, they wanted to avoid heavy-handed interference which would play into the hands of Moscow's anti-western nationalists. At the same time, they felt they must defend the humanitarian principles of the OSCE.

Experts on the OSCE's arcane procedures said that the principles adopted at meetings in Vienna and Budapest last year amount to a catalogue of what Russia has failed to do in Chechnya. For example, OSCE members have pledged that proper constitutional procedures should be followed, and the rule of law respected, whenever armed forces are assigned to internal security missions.

French dubbers decide to parley

By John Ridding in Paris

At a time of year when many are losing their voices, film and TV stars on the French screen are getting theirs back – at least for the time being.

Suspending a strike which has lasted since mid-October, France's dubbing artists yesterday returned to work pending the outcome of a new round of negotiations with their employers. The actors have been demanding recognition of their intellectual property rights which, they claim, entitle them to payment for repeats and reissues of films, TV series and videos.

"It is a gesture of goodwill," says Mr Jimmy Shuman, an official of one of the three unions which has led the strike and an actor who recently spoke for Judas in a film of Mary of Nazareth. "We expect to make progress in the talks."

For the companies which employ France's 500 or so dubbers, the move brings only a guarded welcome. "Obviously it is good that they are going back to work" says Mr Jacques Orth, president of the Chambre Syndicale du Doublage, which groups the dubbing companies. "But the issues remain to be resolved and the industry has suffered a lot of damage."

Dubbing companies believe more industrial disruption could hasten a shift to Belgium, Canada and other Francophone countries

Much hinges on a series of meetings which are due to start tomorrow. The two sides, their lawyers, and Mrs Simone Rozès, a senior judge and a mediator in the strike, will try and resolve the protracted dispute.

According to the dubbers, their intellectual property rights were upheld by a law which was passed in 1985 and took effect the following year. They say that the law entitles them to be consulted and remunerated before their work is broadcast or re-sold and that an agreement between the actors and their employers, signed early last year, accepted this principle. Failure to agree on a system of payments, however, prompted the strike. The specific demands are complex. But broadly, the actors are seeking FFr12,000 ($2,212) per hour of dubbed TV – which would be divided according to the size of the rôles – and between FFr2 and FFr3 per video.

Company managers believe such demands are unreasonable. "They do not have the automatic right to repeat fees. The demands are not realistic and the costs are potentially very significant," said one executive. Mr Orth claims that the increased costs demanded by actors could force film and TV companies to look elsewhere for dubbing.

To a limited extent, this has already happened. French audiences of Kenneth Branagh's Frankenstein might detect a Belgian accent since some of the dubbing was done across the French border.

Some protection is afforded by a long-standing French decree that non-European films must be dubbed in France for the domestic market. But loopholes exist. Frankenstein, for example, although largely financed by US backers, overcame the decree because much of the work was done in the UK. The dubbing companies believe protracted industrial disruption could hasten a shift to Belgium, Canada and other Francophone countries.

Walesa joins revolt against higher taxes

By Christopher Bobinski in Warsaw

President Lech Walesa yesterday signalled open confrontation with the coalition government led by Prime Minister Waldemar Pawlak by joining opposition parties in a revolt against higher income tax rates.

The tax row centres on the rates which Poles will have to pay this year. The opposition Freedom Union (UW) party argues that the government has missed the legal deadlines needed to extend by another 12 months higher income tax rates which were brought in as a temporary measure in 1994. Instead of the 21, 33 and 45 per cent rates imposed last year the UW argues that Poles should only pay the 20, 30 and 40 per cent rates laid out in tax laws dating back to 1991.

Payment at the lower rates would cost the treasury around 1.1bn new zlotys ($714m) in lost revenues and breach the 8.8bn new zlotys budget deficit agreed with the International Monetary Fund without further expenditure cuts or other new taxes. The government, meanwhile, blames Mr Walesa for causing the delay by his request for a ruling from a state tribunal on whether the laws bringing in the higher tax rates were constitutional.

The court meets on January 12. If the court decides in favour of the government the president would have to countersign the laws into effect as the decree has already been passed by a two-thirds majority in parliament. The opposition argues they are only legally binding once countersigned by the president and officially published.

Mr Walesa said he would be paying the lower rates this year. "If you respect the president you should follow suit," he told reporters at a senate meeting just after the upper chamber had approved this year's budget. The president now has 30 days to either approve or veto the budget, which he has criticised for failing to meet the pay demands of state employees.

Mr Walesa's action was strongly criticised by the finance minister, Mr Grzegorz Kolodko. "I don't believe the president can be calling on people not to pay their taxes."

The tax row is the most serious sign of growing tension between the president and the government in the run-up to November's presidential elections. Last night Mr Pawlak was expected to reject Mr Zbigniew Okonski, the president's candidate for the post of defence minister. Mr Alexander Kwasniewski, the head of the Left Democratic Alliance, the main coalition partner, said yesterday that Mr Pawlak had also decided to accept the resignation of Mr Andrzej Olechowski, the foreign minister who Mr Walesa has insisted should stay in his post.

Balladur scheme boosts car sales

By John Ridding in Paris

Government incentive schemes prompted a rebound in the French car market last year, with sales rising by 14.6 per cent to 1.97m, according to statistics released yesterday by the French automobile constructors' association (CCFA).

The figures confirmed the recovery from 1993, which saw a sharp contraction as a result of recession. But the CCFA said that much of the improvement was the result of government measures rather than an upturn in consumer expenditure. The measures, which were introduced last February by the centre-right government of prime minister Edouard Balladur, included a series of fiscal incentives and cash-back schemes.

In particular, car owners who traded in models more than 10 years old to buy a new car received a payment of FFr5,000 ($922). In addition, the ceiling for tax write-downs on company cars was raised from FFr75,000 to FFr100,000.

The French automobile groups estimated that the various measures accounted for about 200,000 of the 252,000 extra sales, with the bulk of the increase due to the FFr5,000 payment scheme.

Sales of small cars – dubbed *Balladurettes* after the prime minister – received a particular boost from the government schemes. Sales of the Citroën AX rose by 42 per cent to 67,000, while the Peugeot 106 also experienced strong demand. For Renault, the Twingo mini-car saw sales jump by about 40 per cent to 94,600.

The various measures also helped French manufacturers edge up their share of the market from 60.3 per cent in 1993 to 61.2 per cent. PSA Peugeot-Citroën regained the top spot from Renault, raising its market share from 29.7 per cent in 1993 to 31.1 per cent. Renault remained in touch with about 30 per cent of new registrations.

Of the foreign car manufacturers, Fiat saw the strongest gains. Strong demand for its Panda and Uno models helped lift sales by more than 40 per cent to 107,000. Registrations of Japanese cars fell by about 5 per cent to 74,500.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer und in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Brussels resumes broadcasting battle

By Emma Tucker in Brussels

Arguments over how the European Union should protect its broadcasting industry, culture and languages from cheap and plentiful US imports, will come to a head at a meeting of European commissioners in Brussels today.

The commissioners are due to discuss controversial plans to tighten restrictions on European broadcasters.

Towards the end of last year, Mr João de Deus Pinheiro, the outgoing audio-visual commissioner – with strong backing from the French – drew up draft plans to enforce more strictly measures that require European broadcasters to ensure that at least 50 per cent of programmes screened are European-made, and to extend the measures to new electronic screen-based services such as teleshopping.

But the move provoked such outrage from the Commission's more liberal-minded members that Mr de Deus Pinheiro will tomorrow present diluted plans.

TV channels which have blatantly ignored the EU's quota system will be asked to explain themselves

At the moment an existing EU law requires 51 per cent of material shown by European channels to be of European origin and 10 per cent to be set aside for independent European producers. However, the quotas only apply "where practicable", a loophole that Mr de Deus Pinheiro originally intended to plug.

But in an attempt to appease both sides the Portuguese commissioner has – to the fury of the French – partially reinstated the loophole and also has given broadcasters the choice of investing a certain amount of their income in European productions if they do not want to comply with the quotas.

According to a Commission official, the new plans will allow flexibility for channels that "seriously" cannot meet the quotas and can prove why. However, he insisted that channels such as those owned by Mr Rupert Murdoch, the international media tycoon – which until now have blatantly ignored the EU quotas – would be asked to give clear reasons why, or to show that they have invested in European productions. Failure to do so could ultimately lead to infringement proceedings against the member state.

The new proposals – which amount to a revision of the 1989 "Television without Frontiers" directive - also sharpen the definition of what programmes can be used to fill the quotas. Many broadcasters currently comply with the directive by screening cheaply-made talk and game shows. But Mr de Deus Pinheiro has proposed that studio-made programmes will not be permitted to fill the quotas, and that broadcasters will have to use European-made films, documentaries and cartoons.

Commissioners such as Mr Martin Bangemann, the industry commissioner, and Mr Raniero Vanni D'Archirafi, the single market commissioner, say no proper analysis has been made of the impact of quotas on the industry and that adoption of the plan would send a bad signal to the EU's trading partners.

They are particularly concerned about provisions that would allow member states to apply language quotas to services such as video-on-demand which could lead to *de facto* protection of the industry.

EUROPEAN NEWS DIGEST

German growth to average 3%

The German economy will grow by around 3 per cent annually between 1995 and 1999, according to a report from the Ifo economics institute. The economy is likely to peak in 1996, with a GDP growth rate of 4 per cent and slow thereafter to around 3 per cent.

While the surprisingly strong recovery last year was caused by demand for German exports, the report from the respected Munich-based think-tank said that GDP growth was now being driven by rising demand for investment goods as German companies forecast better earnings. Rising international interest rates are not expected to affect the German recovery, the institute said, adding that it expects the Bundesbank to slightly reduce its rates.

There was no danger of renewed inflationary pressure if wage rises could be kept to around 3 per cent this year, according to the report. Inflation is expected to edge back to around 2.5 per cent, while unemployment – presently at about 7.9 per cent of the workforce – is expected to fall around 1 per cent as 1.7m new jobs are created over the next five years. The report said there were the first signs that, after several years of decline, industrial production in eastern Germany was picking up again. The economy in the five eastern Länder is expected to grow by around 8.5 per cent over the next five years. *Michael Lindemann, Bonn*

Gulf veterans sue companies

About 2,000 US soldiers who fought in the Gulf war have started proceedings against German companies which they claim helped build chemical warfare plants for Iraq's president Saddam Hussein, according to Stern news magazine. The veterans are claiming damages for the so-called "Gulf war syndrome" – an illness characterised by headaches, loss of balance and chronic fatigue which was allegedly caused by exposure to chemical gases.

Thyssen and Preussag, two of Germany's best-known steel companies, are included among a list of about 20 defendants who are charged with having delivered to the Iraqis "substances and equipment" used to make chemical weapons. A spokesman for Degussa, the Frankfurt-based metals and chemicals group, said the company had received a claim for $50,000 in damages but dismissed the charges as "groundless". He insisted the company had never made any deliveries to Iraq. *Michael Lindemann*

UN optimism on Bosnian truce

The UN yesterday signalled that the four-month truce was taking hold in Bosnia, despite the eruption of heavy fighting in the north-west of the country. As UN officials welcomed the reopening of Sarajevo airport and resumption of public transport service in the besieged capital, officers in Croatia and Bosnia reported heavy shelling near Velika Kladusa in north-western Bosnia, near the border with Croatia. Major Herve Gourmelon, a UN spokesman in Sarajevo, said 170 mortar and artillery shells had fallen east and south-east of Velika Kladusa in eight hours. The UN would not say who started the fighting, the most severe since Bosnia's latest truce came into effect over the weekend.

Officials noted that the 20 ceasefire violations reported on Monday, most of them occurring round Bihac in the north-west, constituted a marked decrease in the fighting. Meanwhile, the 380,000 inhabitants of Sarajevo yesterday were treated to the first signs the truce may be holding when tram services resumed. The city airport was reopened following Monday's accident when a UN cargo aircraft skidded into a mudbank during a landing in a snowstorm. UN officials said 31 aid flights were scheduled yesterday. *Laura Silber, Belgrade*

Belgium to tackle budget deficit

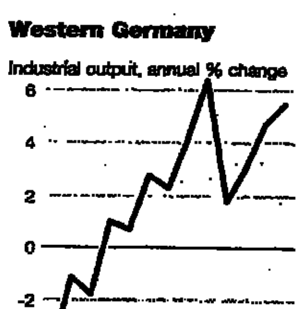
Mr Philippe Maystadt, the Belgian finance minister, said yesterday that extra measures will have to be taken to ensure that Belgium reduces its budget deficit to meet the requirements for European monetary union. The target, established in the Maastricht treaty, is for government borrowing to remain at or below 3 per cent of gross domestic product by 1996. According to Mr Maystadt, the budget deficit amounted to 5.3 per cent of GDP last year, but is on course for a fall to 4.3 per cent this year. Belgium is expected to form part of a hard core of countries – also including France, Germany, The Netherlands and Luxembourg – to press ahead with monetary union at the earliest possible date. Without specifying what measures might be taken, Mr Maystadt said that the government would decide on complementary revenue raising initiatives "at the appropriate time" in order to meet the 3 per cent target. He denied that elections scheduled for later this year could upset the government's spending plans, declaring that "no matter the government, it will assume its responsibilities". *Emma Tucker, Brussels*

EU entry hits Austrian prices

Austrian consumer prices fell further yesterday in the wake of its entry into the European Union, with the country's once protected market now opened to the forces of competition. Milk prices have been cut by a third. Flour now costs a third of what it did last week and salt, eggs, butter, margarine, meat, sweets and beverages are all far cheaper. "Austria is no longer a completely protected market like it was before January 1," said Mr Berhard Wrabitz, spokesman for the government's European Affairs office. "It's still early, but we have already seen massive cuts in prices in the food sector." In the nation's leading food stores a price war broke out in an effort to attract customers. "Get EU prices here!" read large posters plastered on the windows of one Vienna store. Der Standard, the Austrian daily, noted the Billa chain had cut prices for 800 articles while rivals Loewa and Adeg had reduced prices on a couple of hundred items. *Reuter, Vienna*

ECONOMIC WATCH

West German output stagnates



Source: Datastream

West German industrial production stagnated in November after increasing in September and October. Unusually warm weather caused a strong rise in construction activity and a fall in energy output. Manufacturing output was marginally higher and consumer goods production weaker. The economics ministry said total production was 0.1 per cent lower in November than in October which had shown a 1 per cent rise (revised downwards from a provisional 1.6 per cent) over September. However, October and November together showed a 1.5 per cent increase over August and September. Mr Julian Jessop, economist at HSBC Markets, said the figures were weaker than expected but the underlying trend remained upwards, as shown by November's 5.5 per cent rise over November 1993. The fact that consumer goods output was still weak, while capital goods continued to lead the improvement was positive for inflation prospects, he said. Construction output gained 4 per cent over October, helped by the mild weather which also depressed electricity and gas output by 7.9 per cent. *Andrew Fisher, Frankfurt*

■ The Finnish unemployment rate fell to 17.4 per cent last November from 17.5 per cent in October and was down from 18.4 per cent in November 1993, according to figures released yesterday by the national statistics agency. *AP, Helsinki*

■ The number of unemployed people in Romania at the end of 1994 was 1.21m, 10.8 per cent of the workforce, the state news agency, Rompres, reported. *AP, Bucharest*

NEWS: INTERNATIONAL

Cabinet takes on Japanese bureaucracy

By William Dawkins in Tokyo

Mr Tomiichi Murayama, the Japanese prime minister, is planning to strengthen the powers of his cabinet office, to reduce bureaucratic influence in policy making, according to government officials. The cabinet aims to send a study group to Britain shortly, to examine how some of the UK's parliamentary cabinet system could be applied in Tokyo, they said.

The decision is the latest step in a struggle by politicians to assert their will over the bureaucracy, which has seen its considerable power rise and its popularity dwindle during the political instability of the past 18 months.

The battle reached a climax just after Christmas, when the cabinet sacked three senior bureaucrats from the Ministry of International Trade and Industry; two for allegedly conniving with the former government and one for resisting attempts to trim spending on public administration.

Japanese politicians have less input into government decisions than do their British counterparts, though they have started increasingly to assert their views in important matters, such as tax reform and economic deregulation.

For the most part, however, policies tend to be pre-cooked by the most powerful ministries before they reach the prime minister's desk. Japan's cabinet secretariat prepares the agenda for twice-weekly cabinet meetings, in a meeting with top ministerial officials, chaired by the chief cabinet secretary, a politician.

Mr Murayama's plan to boost the cabinet's power follows, ironically, the advice of his political enemy, Mr Ichiro Ozawa, secretary general of the opposition New Frontier Party.

Mr Ozawa argues, in his recent book Blueprint for a New Japan, that a UK-style cabinet, as the centre of executive power, would correct the Japanese system's greatest weakness: its lack of a clear centre. This makes Japanese policy making both unwieldy and prone to behind the scenes influence of powerful bureaucrats and industrial lobbies, Mr Ozawa argues.

At present, the prime minister has three political advisers in the cabinet office, one from each party in the ruling coalition. Mr Kozo Igarashi, one of Mr Murayama's closest friends and currently chief cabinet secretary, is understood to be urging an increase in their seniority and number.

According to Japanese press reports, Mr Murayama also wants to improve the cabinet office's ability to gather information from ministries. Here, he is said to be prompted by dissatisfaction with ministerial briefings he has received on how to handle this year's 50th anniversary of the end of the second world war. The commemoration of the event risks further dividing Japanese politics, between ardent pacifists and those who believe apologies are out of place; and reopening old tensions with Japan's Asian neighbours.

See feature: In search of innovation

Aids cases top 1m across world

The number of Aids cases officially reported worldwide has topped the 1m mark for the first time - a 20 per cent rise from a year ago, the World Health Organisation (WHO) said yesterday, Reuter reports from Geneva. But the UN agency, pointing to incomplete reporting and under-diagnosis, estimated the actual number of people suffering from Acquired Immune Deficiency Syndrome (Aids) at 4.5m.

A cumulative total of 19.5m people have been infected with the HIV virus since the pandemic began in the late 1970s, including 1.5m children, according to latest figures. Between 13m and 15m of those infected are believed to be still alive.

The WHO said 1.025m cumulative cases of Aids in adults and children had been officially reported by 192 states as of December 31, 1994. This represented a 20 per cent increase since the 851,628 cases reported exactly a year ago. "The major proportion of these cases have occurred in sub-Saharan Africa and the Americas," the WHO said.

Regarding the 19.5m people who have contracted the HIV virus, this was nearly 2m more since WHO's semi-annual report was issued last July 1. "Contained in the figures we are releasing today is a steady rise in the number of Aids cases and an accelerating rise in the number of HIV infections," the spokesman noted. Africa has reported 34 per cent of the total Aids cases, or 345,639 people, but probably accounts for 70 per cent of the actual total estimated figure of 4.5m, according to the WHO.

Kenya, Malawi, Tanzania, Uganda and Zimbabwe have each reported more than 30,000 AIDS cases, trailed closely by Zambia and Zaire. Sub-Saharan Africa also accounts for at least 11m adult HIV infections, it added.

The US - where diagnosis is quicker and reporting more immediate - accounts for 39 per cent of the reported Aids cases, with 401,789 by late-September. However, it probably represents just 9 per cent of the actual total. Latin America and Europe account for about 19 per cent and 12.5 per cent respectively, of reported Aids cases.

France tops Europe's list with 32,722 reported Aids cases, followed by Spain (27,584), Italy (24,511), Germany (11,854) and the United Kingdom (9,865).

HK consumers taste the feel-poor factor

They are tightening their belts, saving more and spending less, says Simon Holberton

If you are looking for proof that the Hong Kong consumer is feeling the pinch, then look no further than the colony's restaurants.

Despite the Cantonese love of food they are spending less. The effect of this belt-tightening is that in the year to the end of September receipts were down 1.7 and 8.8 per cent respectively in value and volume terms.

Economists believe the message the colony's restaurants and fast food shops are delivering is an indication that the Hong Kong consumer is on the defensive. Not before time, given the volume of infrastructure spending in the coming years, they say.

The government's forecast of 7 per cent consumption growth in 1994 is unlikely to be met. This year's growth in consumption, which accounts for nearly 60 per cent of economic activity in the colony, may be between 5 and 6 per cent. This compares with growth of 7.5 per cent in 1992 and 1993.

"Consumption in most western countries is driven by disposable incomes," said Mr Ian Perkin, economist at Hong Kong's General Chamber of Commerce. "In Hong Kong consumption is driven by the wealth effect."

Against a background of rising interest rates and weak stock and property markets the man (and woman) on the Sha Tin omnibus is feeling poorer. Consequently they are saving more and spending less.

Much has occurred to depress the Hong Kong consumer. Property prices ended last year 10-20 per cent lower than they began it.

Few analysts are expecting a rebound in the market before mid-year. Hong Kong's stock market was the worst performing big market of all last year, with the bellwether Hang Seng index falling 32.33 per cent.

The market got off to a poor start yesterday with the index falling 346.9 points, or 4.2 per cent, to 7,844.14. Turnover, at HK$1.92bn (£153.7bn), was very low, but analysts said concern about Sino-US trade prompted the sell-off, accentuated by activity in the futures market.

The slide in asset prices, which gathered pace from last April, was echoed in consumption trends throughout the year. Since the end of the first quarter of 1994, growth in retail sales slowed every month. This Christmas and New Year, traditional end-of-year sales were a flop and few expect much of a pick-up.

But in Hong Kong, where inflation is stuck at about 9 per cent, a slowdown in consumption may not be a bad thing, especially given the boost that an already fully employed economy will receive from planned public works. Economists believe growth in investment will more than compensate for the fall-off in consumption growth now the colony's new airport and railway development has received the green light from China.

Hang Seng Bank believes that spending on the HK$158bn works projects that make up "airport core programme" will boost Hong Kong's growth rate this year by 0.9 percentage points and by 1.3 percentage points in 1996.

The change in the outlook for investment since Beijing agreed to the financing of the airport and its connecting railway is quite dramatic. Total business investment in Hong Kong in 1994 was first estimated to rise by 5.2 per cent; now the government thinks it will expand 11.2 per cent.

Private-sector construction, forecast to fall by 2 per cent, is now forecast to grow 13 per cent. This higher level of investment has made the government raise its estimate of gross domestic product growth from 5.5 to 5.7 per cent.

The government has not yet released its estimate for GDP growth in 1995, but private forecasters have been busy. Despite slightly slower consumption growth, Mr Perkin reckons the economy will grow 6 per cent this year; the Bank of China concurs. Other forecasters, notably the Hongkong Bank and its affiliate Hang Seng Bank, think the economy will expand 5.8 per cent.

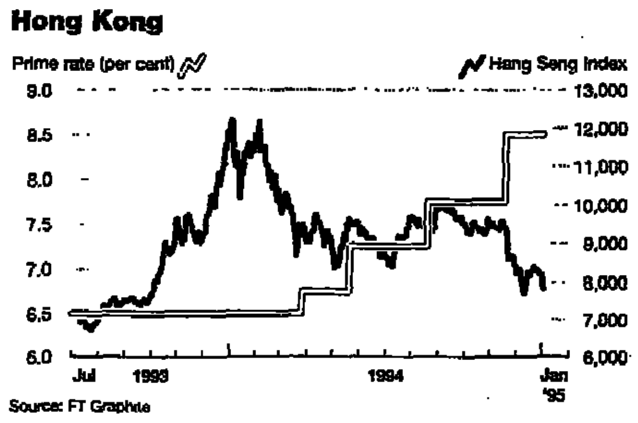
The growth in investment will, however, be felt on the colony's trade account. Hong Kong seems likely to chalk up an HK$80bn merchandise trade deficit in 1994.

If, as Hang Seng Bank believes, much of it relates to construction of the airport and related programmes, then this year may produce an even bigger deficit.

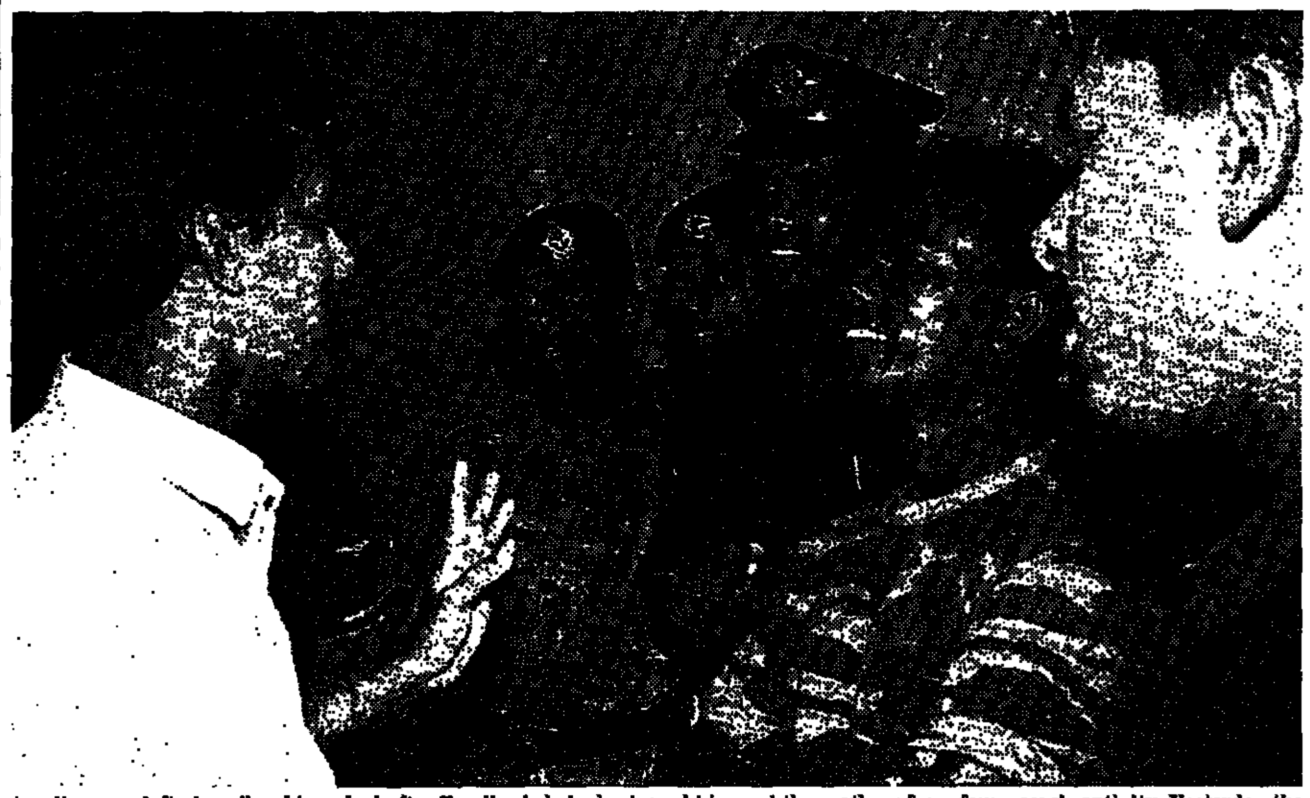
Hong Kong is fortunate it is in such a strategic position for trade with China. This has enabled the colony to earn near-monopoly profits on the processing of southern China's trade with the rest of the world.

The surplus generated on trade in services - such as ports, finance and communications - more than compensates from the deficit on merchandise trade, giving the colony a positive overall trade balance. But this surplus is under threat. In 1993 it amounted to a record HK$70.8bn; in 1994 it is likely to fall to HK$40bn; and this year it may be squeezed further.

In addition to fuelling imports, economists also expect that spending on infrastructure will be one of the factors to keep an upward pressure on prices this year. Inflation last year averaged about 8 per cent. This year prices are expected to rise by about 9 per cent.



Source: FT Graphite



A policeman, left, describes his ordeal after Tamil rebels had released him and three others from four years' captivity. Yesterday the government and the separatists agreed to stop fighting as a prelude to ending 12 years of war. The chief government negotiator said a Rs40bn ($805m) rehabilitation plan for the largely Tamil north had also been discussed AP

S African public sector in protest

By Mark Suzman in Johannesburg

Thousands of government workers took to the streets in South Africa yesterday in the first instalment of what could become the country's biggest public service strike if union demands are not met over the next two weeks. Members of the South African Health and Public Service Workers Union - mostly cleaners and clerical workers - clashed with police in Pretoria as they began a legal strike in protest at a government refusal to raise the minimum wage of state workers from R900 ($254) a month to R1,500.

Over the next two weeks other leading public service unions, including the powerful, predominantly white, Public Service Association, are expected to announce the results of strike ballots over pay. If settlement is not reached before then, many of the country's services, from health care to government administration, could be paralysed.

Although the current protests affect relatively few workers, the threat of further action presents a problem for the African National Congress-led government, which is aware of the potentially disruptive consequences of a widespread strike, both in terms of domestic administrative efficiency and the nervousness it might engender among foreign investors.

It is also a headache for Cosatu, the country's largest trade union federation and a formal ally of the ANC, which is undecided whether to back the strikers, most of whom do not belong to the organisation. In a compromise move, the National Education and Health Workers Union, the Cosatu affiliate serving the public sector, has endorsed the wage demands but has so far refused to participate in strike action.

Given the government's commitment to reducing the deficit, it simply does not have sufficient resources to meet the unions' demands. Wages and salaries already make up nearly 60 per cent of government spending and Mr Zola Skweyiya, minister of public services and administration, has estimated that acceding to the new proposals would cost an extra R17bn this year.

The threatened strike has been brewing ever since the Public Service Bargaining Council, a forum for negotiations between the administration and the 18 unions serving state workers, broke down last October when unions rejected the government's final offer of R1.075 a month.

For the 107,000-member PSA, the wage issue also masks other grievances, with many white bureaucrats unhappy about cuts in perks and fearful of the consequences of a government commitment to affirmative action.

Although all public sector jobs are guaranteed in terms of the constitutional agreement between the ANC and the former government reached in 1993, there has been growing disenchantment with the deal in ANC ranks.

INTERNATIONAL NEWS DIGEST

Algiers embassy death threats

Western diplomats said last night they were taking seriously an apparent threat by Islamic fundamentalists to kill more foreigners and non-Moslems unless western embassies in Algiers are closed by January 7. Several western embassies in Berne are understood to have received warnings, in the form of letters posted a few days ago in Lyons, which is home to a large Algerian community.

A UK foreign office spokesman confirmed that Britain was among the countries which was received the 10-line message, which was poorly typed but written in gramatically correct German and signed by the Armed Islamic Group. It said that unless western embassies were closed by January 7, "we can give no guarantees about the lives of foreign nationals". After the deadline, it added, "all infidels will be killed in cold blood".

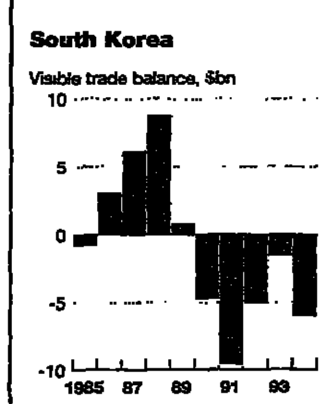
Word of the threat first emerged in the German weekly Stern, which said Germany was one of several western countries to receive the warning. The German foreign ministry refused to confirm or deny the Stern report, and diplomats in France - the country which has faced the most severe threats from Algerian fundamentalists - also declined any specific comment. *Bruce Clark, Diplomatic Correspondent*

France to boost IMF facility

France yesterday agreed a FFr5.9bn ($1.1bn) contribution to the International Monetary Fund to be used for loans conditional on economic adjustment policies in the world's poorest countries over the next three years. Mr Edmond Alphandéry, minister of economics, announced the details in Paris as the French development agency signed a new accord with the IMF towards its enhanced structural adjustment facility.

The facility, created in 1987 offers loans at extremely low rates of interest to the poorest countries in exchange for agreed structural reform and macro-economic stabilisation policies. A number of third world development agencies have put pressure on the IMF to reform these programmes which they argue have proved damaging to the world's poorest people. Of the 68 countries eligible to receive support through the programme, 39 are based in sub-Saharan Africa of which 12 are members of the French franc zone. *Andrew Jack, Paris*

S Korean trade deficit soars



Source: Datastream

South Korea's customs-cleared trade deficit totalled $6.06bn in 1994 from a shortfall of $1.56bn a year earlier, preliminary figures released by the trade ministry showed. A ministry official said sharply increasing imports of capital goods and raw materials for overseas shipments were the main reason behind the huge 1994 trade shortfall. "Increased machinery purchases, especially from Japan, to boost capital investment following fast domestic economic growth contributed to the sharply rising deficit," he added. Exports of heavy industrial goods accounted for 68.4 per cent of South Korea's total exports in 1994. *Reuter, Seoul*

Six Russians die in Tajik raid

Moslem opposition fighters killed six Russian soldiers in a cross-border raid into Tajikistan shattering a ceasefire agreement and raising political tensions in the Central Asian republic. The raid follows the deaths of 15 Russian servicemen poisoned by champagne laced with cyanide which they bought near their military base to celebrate the new year. Itar-Tass, the Russian news agency said the poisoning was probably a "premeditated terrorist action". About 25,000 Russian troops are stationed in Tajikistan at the local government's request as a peace-keeping force. *John Thornhill, Moscow*

Move out of Sri Lanka denied

Pacific Dunlop, the Melbourne-based conglomerate, yesterday denied it planned to move its Ansell Lanka latex operations from Sri Lanka, saying that these formed an essential part of the subsidiary's international strategy. It also rejected suggestions it was considering relocation, or setting up any Ansell operation, in Burma. It acknowledged that, in watching the Asia-Pacific region, it was paying attention to future investment opportunities Burma might offer. However, it said any commitment to the country was some way off, and would probably depend on political developments there. As reported in some editions of the Financial Times yesterday, Sri Lankan officials had believed Ansell was about to pull out because of labour unrest. *Our Foreign Staff*

Sudan opens stock exchange

Sudan, in an attempt to knock its troubled economy back into shape, has marked the New Year by opening its first stock exchange and printing its own banknotes. Share trading began on Monday and officials hope the exchange will eventually attract badly-needed local and foreign investment. On Sunday, Sudan announced it had built its own factory to print banknotes. The government-owned al-Ingaz al-Watani (National Salvation) newspaper said 24 companies have been registered at the exchange. *Reuter, Khartoum*

Taiwan's Leopard People rally against reservoir

Siting it in unspoiled mountains threatens the existence of an aboriginal tribe, writes Laura Tyson

"Like fierce tigers, they range the woods and pounce on human heads"

So wrote an unknown Chinese poet of Taiwan's once proud and warlike original inhabitants, who stalked the island terrorising successive waves of foreign invaders for centuries.

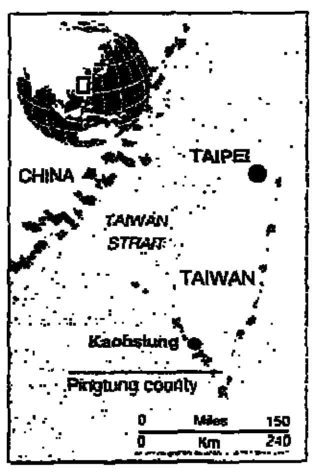
Like the rest of Taiwan's aborigines, who comprise dozens of distinct groups and now number 350,000, the Rukai tribe gave up head-hunting earlier this century, pacified by colonisers and missionaries. Now the Clouded Leopard People, as they call themselves, are struggling to avoid the fate of the rare and beautiful cat which may still be found in the mountain forests of several Asian countries but has disappeared from Taiwan.

The most immediate threat to the cultural survival of the 8,000 Rukai comes in the shape of a reservoir which the Taiwanese government plans to start building this year to supply the heavily industrialised and fast-growing southern metropolis of Kaohsiung. The reservoir will submerge the tribe's ancestral village of Haocha, nestled in a mountain valley in Pingtung County.

Mr Tai Beng, a young Rukai who graduated from university, is leading villagers in fighting the planned reservoir. "We understand the water supply for Kaohsiung is running out, but we feel the government should consider other solutions, such as dredging existing reservoirs, improving water conservation and cleaning up water pollution in the flatlands," he said in his Haocha office. "The roots of our culture lie in this valley. If we lose Haocha, that will spell the end of the Rukai people."

Many of Taiwan's reservoirs are plagued by silting, caused by soil erosion. The rivers and lakes in the Kaohsiung area suffer from severe industrial and agricultural pollution from steel, petrochemical and other factories, as well as intensive pig and duck farming. The city's public sewerage system is inadequate. The government says new reservoirs must be built in as yet unspoiled mountain areas to meet needs over the next decade.

The government originally planned to build the reservoir in another township, inhabited by the Hakka, a Chinese ethnic minority. Mr Yi Chiang, director of the opposition Democratic Progressive Party's indigenous affairs committee, said that because the Hakka form an influential political constituency in Taiwan, local residents were able successfully to lobby against the dam. He believes the Rukai will have a difficult time stopping the reservoir.



The history of Taiwan's aborigines, related to Polynesian and Malay ethnic groups, is similar to that of native peoples in many lands. At first they resisted but later were forced to succumb to the greater numbers, technology and diseases of the foreign invaders. Today they suffer from alcoholism, poverty, poor education and a high rate of child prostitution.

Before the arrival of the first waves of immigrants from China (the Hakka), and the Dutch in the early part of the seventeenth century, the aborigines lived throughout Taiwan. But over time they were either assimilated into the migrant population or retreated to the mountain areas, to which they were confined by the Ching dynasty administration. When the Japanese took control of the island in 1895, they declared the mountainous area of central and eastern Taiwan (about half the island) a national forest and set up a tight cordon around aboriginal areas.

They also sought to exploit Taiwan's forests for the lucrative trade in camphor, using Chinese labour and traders. While serving as US consul to Formosa, the name given the island by Portuguese traders, James W. Davidson wrote a book which remains the most comprehensive study of Taiwan in English. Published in 1903, it says: "Of all the products of Formosa none is of such interest as camphor..." because it must be "snatched from the jungle over which the wild savage roams..."

Writing about the constant skirmishes between the natives and the traders, Davidson invited a statistician to compute "how many drops of human blood are represented in the few ounces of camphor which the humane young lady purchases to keep her dainty garments free of moths, or how many lives are lost that some decrepid [sic] old gentleman may be cured of his rheumatic pains.

"The methods of obtaining the drug adopted by the Chinese necessitates the destruction of the trees, which are never replaced...the aboriginal population as a whole naturally views with deep concern the gradual encroachment on their native soil; and as a consequence, the border districts have, since the earliest days, been in a chronic state of disturbance.

"Every opportunity has been seized for the perpetration of outrages, and, sad to say, these have not been on the part of savages alone, for the Chinese, on their side, never seem to have let slip any chance which presented itself of wreaking their vengeance on the unfortunate aborigines."

The Kuomintang, or Nationalist, government under General Chiang Kai-shek essentially continued the policies of the Japanese relating to the island's aboriginal people, building schools, encouraging them to abandon their nomadic ways and become farmers. The aboriginal territories shrunk further as the KMT administration appropriated land for military use and for state-owned corporations such as Taiwan Sugar Company, one of the island's biggest landholders. Other tracts of land were declared experimental forest for universities.

Taiwan's National Assembly last year rejected a proposed constitutional amendment which would have allowed indigenous self-rule and would have granted full land rights to aboriginal groups, who now have limited title rights but may not sell or develop lands.

Indigenous rights groups, supported by the Democratic Progressive party, are campaigning to regain aboriginal territories as defined under the Japanese occupation. They are also calling for political and economic autonomy, control over education and the establishment of a cabinet-level agency responsible for aboriginal affairs.

In a concession to these more sensitive times, the National Assembly did change the official name for aborigines from *shanpao* (mountain compatriots), to *yuanchumin* (indigenous inhabitants). This is but a tiny victory in a long battle Taiwan's "fierce tigers" seem destined to lose in the name of progress.

NEWS: THE AMERICAS

High noon for Clinton as Republicans grasp reins of power

By Jurek Martin in Washington

At high noon today bells will ring and prayers will be said in the two august chambers on Capitol Hill. But thereafter any resemblance to business as usual in Washington will come to an end as the 104th Congress gets down to work under Republican control.

Mr Newt Gingrich, the first member of his party to wield the Speaker's gavel in the House in 40 years, is even dispensing with much of the traditional first day's ceremonies. Instead he has scheduled a 12 hour, 33 point agenda opening session designed to rewrite many of the procedural rules and laws devised by the longstanding Democratic hierarchy.

It will start at a gentler pace in the more deliberative Senate. Mr Robert Dole, the incoming majority leader, has said he might even wander over to the House to take in the Speaker's "15 gun salute" to the new Republican majority. "I might even fire a salute myself," he said.

The composition of Congress now sees, in the House, 230 Republicans, 204 Democrats and one independent, and, in the Senate, 53 Republicans and 47 Democrats. Among them are 84 fresh Republican faces - 73 in the House and 11 in the Senate - and a mere 14 Democrats, all in the House.

For Mr Gingrich, above all, power means the chance to launch a conservative revolution that he thinks cannot wait, starting with the rules of the House itself. Some of them are symbolic – no more honorific resolutions commemorating farmers, firemen and other solid citizens – but some are substantive.

Chief among them is probably the proposal that no tax increase could ever be approved without the support of 60 per cent of the House, rather than a simple majority.

But lagging not far behind are the elimination of three standing committees, one third reduction in committee staff jobs, a six year limit on chairmanships, no more proxy voting in committees and no more funding for congressional caucuses, including that which groups the 40 or so black members, most of whom, of course, are Democrats.

He also wants an end to congressional exemptions from a variety of the laws affecting common citizens, such as those governing the workplace and racial discrimination.

Mr Gingrich intends the public light to shine on Congress. He wants it liable to cough up its secrets under the Freedom of Information Act. The cameras of C-Span, the cable network set up to cover Congress, may be allowed to roam more freely on the floor and in committee, operated by TV personnel not, as at present, from fixed positions by government workers.

The Speaker is also making available space in the Capitol on opening day for talk show hosts – most of whom, naturally, are well to the right. So, on a longer term basis, is the Heritage Foundation, the conservative think-tank whose offices are conveniently close to Congress.

And all this is down for Day One. Twenty four hours later comes the first devouring of the real red meat – the Republican "Contract with America." Hearings will begin in the House on the balanced budget amendment, the line item veto and the repeal of "unfunded mandates" by which the federal government tells the states what to do without providing the financial means of enforcement.

Mr Gingrich has not exactly explained how he squares this ambitious agenda with his promise to make Congress a more "family friendly" place for its members, who may never see their families for the next 100 days if he has his way.

Meanwhile President Bill Clinton, whom Republicans like now to portray as the junior partner in Washington government, was spending time with his family in Arkansas before returning to the fray today. Perhaps with his own eye on the symbolism of the moment, he went duck-hunting and bagged a pair, possibly christening them Newt and Bob.

Confusion over emergency package speech shows Mexico's new president lacks predecessor's sure touch

Zedillo hands his critics more ammunition

By Stephen Fidler

After the disarray that surrounded last month's devaluation of the Mexican peso, Mexico's government has now provided further ammunition for its growing army of critics who accuse it of not being on top of the job.

The postponement four times of President Ernesto Zedillo's speech to launch the government's new emergency financial package, and the drawn-out negotiation with labour unions and business leaders into the early hours of yesterday morning, suggested two things.

First, the slick presentational style with which the former administration of President Carlos Salinas handled such arrangements has not been passed on to his successor. Second, the new president is not able to control his country as easily as his predecessors.

Mr Zedillo's announcement could not have gone ahead without an agreement with the unions and business. But union leaders held up conclusion of negotiations as they resisted the idea of limiting wage increases next year to 7 per cent. The big question now that union leaders have signed the accord is whether the rank and file - in particular of the big public service unions such as teachers – will go along with their bosses.

The central question being asked in Mexico City yesterday – even before the final details of the package were known - was whether the government had done enough to lock in foreign investors to Mexico. The main barometer of investor confidence is the value of the peso, which fell yesterday morning as the market reacted to Monday's shambolic events.

"We were impressed with the international side of the package," said Mr Luis Luis, of the US investment manager Scudder, Stevens & Clark, referring to the $18bn of financial backing from friendly governments and international banks. "But we think the big questions are on the domestic side of the equation."

If the government does not arrest the peso's slide, its problems deepen. The inflationary consequences are likely to be greater, dislocation in the country's corporate and financial system worse and the impact on the budget more negative.

It is already difficult to argue that the peso is undervalued. Work by Baring Securities suggests at a rate of 5 to the dollar, the exchange rate is now at the level in real terms that it was after the previous devaluation in 1987. This rate was widely considered undervalued at the time, and the structural changes in the Mexican economy since then argue for a justifiable real appreciation of the peso against the dollar.

Nonetheless, investors are more likely to worry about sustaining capital flows to Mexico in an environment of rising US interest rates. If too many doubt the ability of these flows to sustain even the reduced current account deficit forecast for the government in 1995 – $14bn or less compared with nearly $30bn last year - then there will be a self-fulfilling collapse of confidence.

The $14bn current account target implies a reduction in the trade deficit from roughly $18bn last year to $2bn-3bn, given the $11bn of interest payments which the Mexicans must continue paying next year.

The problem in financing this is that debt flows are likely to continue to be difficult, particularly while concern remains about the ability of the government to repay maturing *tesobonos*, short-term dollar-denominated securities. Some $16.9bn of these mature in the first six months of the year. An auction yesterday to replace $581m of maturing *tesobonos* attracted no bidders.

The government said yesterday it "is working with leading investment banks to offer investors, as soon as possible, market-oriented and voluntary mechanisms to swap the *tesobonos* for securities denominated in and payable in US dollars." One possible solution to this would be to offer an exchange of *tesobonos* for longer-term bonds whose payment would be guaranteed by oil production. Mr Rathnam said he believed a voluntary exchange would only be possible if *tesobono* holders were offered interest rates well in excess of 20 per cent on longer-term bonds. "Anything that's not completely voluntary is going to harm them," said Mr Lincoln Rathnam, also at Scudder.

He and others said the long-term solution for the government was to attract more equity investment into the country to replace the retreating bond holders. The only certain way to do that would be to announce a radical privatisation programme.

The privatisation programme announced as part of the *pacto*, however, contained little that had not already been announced, such as ports, railways, and the secondary petrochemical businesses of the state-owned Pemex oil monopoly.

Mr Zedillo may have left something up his sleeve for his speech, but many investors are looking for a more radical privatisation move. This would include the sale of existing electricity generating capacity – which could, by some estimates be worth more than $20bn, Pemex's basic petrochemicals businesses and the allowing of foreign participation in Mexican oil fields.

See Lex

Zedillo: investors looking for radical privatisation plans

Pacto: the terms of the agreement

By Ted Bardacke and Stephen Fidler in Mexico City

A strict policy on wage increases, a moderate cut in government spending, privatisation revenue of $1.5bn and no exchange controls comprise the basic outline of Mexico's emergency economic plan agreed after a 20-hour meeting between leaders of government, business and labour unions.

The terms of the agreement, the Pacto, includes no across-the-board wage hikes beyond the rise of 7 per cent already agreed before December's sudden devaluation. Workers earning two minimum wages or less will also receive a tax break which will raise net pay by an additional 3 per cent, while other workers are free to negotiate productivity bonuses with individual companies.

Business leaders promised to hold down prices by cutting profit margins. Rules will also be established to ensure price rises only reflect the increased costs of imported imputs. Prices of goods provided by state-owned companies, primarily fuel and electricity, will not rise more than 10 per cent, implying a significant government subsidy.

To pay for this subsidy and offset lower tax revenue and higher interest payments, the government will cut spending 1.3 per cent of GDP, approximately 18bn pesos ($3.7bn). It estimates a fiscal surplus of 0.5 per cent of GDP will be generated.

The government projects that spending cuts and a limit on wage hikes will lead to GDP growth of between 1.5 and per cent in 1995. An inflation prediction for this year was not included in the Pacto, but government sources have said 15 to 18 per cent would be a reasonable target.

The 1995 current account deficit will not exceed $14bn, an amount which the government says will be covered with foreign borrowing by the public sector, direct foreign investment and roll over of foreign investment in government securities.

Privatisation revenue of $1.5bn will be raised through higher private investment in railroads and satellite communications. Auctions for radio spectra will take place and fees for long-distance concessions will be charged, while bidding will begin on container terminals at the country's four main ports within 60 days.

While secondary petrochemical plants will be sold off and new electric plants will be concessioned, natural gas and existing generators will stay in government hands for now.

Other sources of capital inflows, to supplement the $6.14bn in the country's international reserves, will be a further opening to foreigners of the financial system.

The entire plan is backed by an $18bn international financing package from the US, Canada, the Bank of International Settlements and commercial banks.

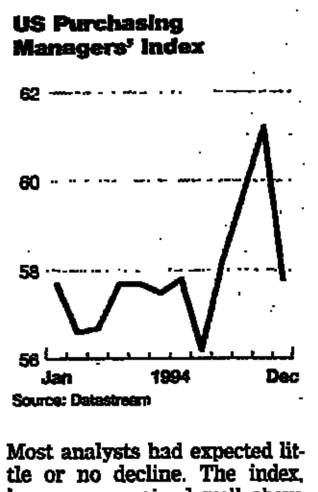
Pessimism grows on US growth prospects

By Michael Prowse in Washington

The US Purchasing Managers' Index fell sharply last month, indicating that the pace of growth in manufacturing industry may decline in coming months.

The index – a reliable guide to the health of the manufacturing sector – fell to 57.8 per cent for December 1994 against 61.2 per cent in November.

US Purchasing Managers' Index



Source: Datastream

Most analysts had expected little or no decline. The index, however, remained well above the 50 per cent level that marks the threshold for growth of manufacturing output.

The drop in the index is in keeping with generally rising pessimism about prospects for economic growth. Many forecasters are now arguing that increases in short-term interest rates last year will cause US growth to slow to an annual rate of about 2 per cent by the second half of this year, against 4 per cent last year.

While pointing to slower growth, the purchasing survey provided fresh evidence that inflationary pressures are building in the manufacturing sector. The purchasing managers' price index – a guide to pressure on prices paid for raw materials and components – rose from 77.9 per cent to 83 per cent, its highest level since March 1980.

"We are seeing the highest rate of materials price rises in over 14 years and the poorest supplier delivery performance in over six years," said Mr Ralph Kauffman, a purchasing managers spokesman. "Manufacturing remained strong, but growth of production and new orders had fallen," he said.

US stumps up for financial stability south of the border

By Jurek Martin

On the one hand, official Washington can maintain with a perfectly straight face that there is no reason to be concerned about the impact on the US economy of the Mexican financial turmoil.

On the other, the vigour of US participation in helping to put together the $18bn financial assistance package demonstrates that policy-makers are only too well aware, as the second year of the North American Free Trade Agreement dawns, how important a stable Mexico is to its northern neighbour.

A statement issued yesterday morning by the US Treasury and the Federal Reserve announcing a temporary increase to $9bn from $6bn in the swap line available to Mexico promised continued close consultation on developments in the Mexican financial markets. Earlier, Mr Frank Newman, the acting treasury secretary, had spoken of the importance of the bilateral economic relationship.

The US Congress reconvenes today with its new Republican majority. Even though Republicans were far more supportive of Nafta than Democrats and even though the US part of the financial package requires neither approval nor action by the legislature, questions are bound to be asked.

Thus officials will say that the Mexican economy - with a gross national product equivalent to the five per cent contribution of Los Angeles to US output – is not large enough to have much of an impact on domestic performance.

A weaker Mexican economy, with the previously projected real growth of 4 per cent this year now clearly unattainable, and a stronger trade-weighted dollar may have some marginal effect on US exports and, hence, US jobs. Mexico now accounts for about seven per cent of US trade and has been its fastest growing export market.

Equally, the same factors, making work in the US more rewarding in financial terms, may result in an increase in illegal Mexican emigration, already a hot domestic political issue.

But none of this, it is argued, should have any deleterious result for Nafta. As an example, the Mexican retrenchment programme, involving cuts in funding for domestic development banks, exempts Nedbank, set up to improve the border infrastructure.

But, no matter how poorly the new Mexican government may be judged to have handled its financial crisis, there is some optimism in Washington that the longer-term damage to Mexico itself should be containable, even if painful in the shorter term.

This is predicated on Mexico limiting the increase in the domestic price level to that directly associated with the devaluation of the peso.

But even a "one shot" rise in inflation, allied to the higher interest rates needed to attract foreign capital, will slow the Mexican economy and lead to lower real wages. That adjustment, however, should provide the basis for more sustainable growth.

Encouragement is also derived from the fact that the Mexican government was already moving into budgetary surplus. This, together with the new agreement ("pacto") on national wage increases, the assemblage of such a large package of international support and the policy changes announced by President Ernesto Zedillo, ought to produce in the end a more competitive Mexican economy.

Financial markets, it is argued, should also be reassured by any action by the International Monetary Fund, most likely under its extended surveillance programme under which IMF officials monitor economic and monetary policy.

The free floating of the peso along what is known as the Canadian model, with no targets, zones or bands, is further seen as a necessary change likely to produce less of a drain on Mexican reserves.

But there is no denying that first the delay and then the postponement of President Zedillo's televised address on Monday night caused some concerns in Washington.

Having done all it could from the outside, the US was hardly in a position to influence the internal debate between the new government and powerful unions over wage increases.

US fingers, therefore, have not entirely been uncrossed yet.

NEWS: WORLD TRADE

China shuts factories after US threat

By a Correspondent in Beijing and Nancy Dunne in Washington

China yesterday closed three factories for allegedly infringing domestic copyrights, but maintained interference at the local level was hindering enforcement of existing copyright laws.

The People's Daily, official mouthpiece of the Communist party, reported that courts had shut down three locally run porcelain plants for allegedly using stolen technology. The factories in the southern province of Guangdong, were using technology patented by the Foshan Porcelain Research Association, the newspaper said.

The public relations exercise came just days after a US threat to impose trade sanctions of more than $1bn because of China's failure to enforce copyright laws and safeguard US intellectual property.

It is unlikely the closure of a few factories would convince the US that China is serious about enforcing its intellectual property laws. Both sides would like to reach agreements, but the ball is still in China's court, according to one Washington diplomat close to the negotiations.

"The Americans have taken a course which would allow for further room for manoeuvre," he said. "But they would not be happy with token actions. The potential for a serious downturn in the trade relationship is still there."

Yesterday's action tackled only a domestic copyright infringement and was minor compared to a Chinese crackdown earlier this year in the run-up to Washington's decision to renew China's Most Favoured Nation trade status and delink trade from human rights concerns.

Before President Bill Clinton extended China's MFN privileges, Chinese authorities raided 400 music stores in Guangzhou, the provincial capital of Guangdong, and four other southern cities where pirated compact discs had almost pushed genuine products from the market. Later, police seized hundreds of illegal software programs in a crackdown on a Beijing computer-software distributors.

The Chinese State Copyright Administration said police had seized 1.58m pirated books and 2.2m laser discs in 1994. Fearing that piracy would deter foreign investors, Chinese authorities have tried during the past two years to tighten copyright laws and set up special enforcement courts in main cities.

While recognising those strides, the US said Beijing's gestures had more form than substance and broke off 18-month long talks on the issue of intellectual property rights in mid-December. Further talks are expected later this month.

The dispute also clouds China's application to join the new World Trade Organisation this year after US concerns over copyright infringement and other issues helped block Beijing's entry campaign.

But China says its ability to satisfy US demands is hindered by local municipalities which often partly own the pirate factories and shield them from central government enforcers.

China is to step up the auditing this year of Sino-foreign joint ventures in which the government has a stake, Reuter reports from Beijing. It will strengthen auditing at 40 such enterprises as a pilot test, the Xinhua news agency said. State councillor Li Guixian, speaking at a national audit conference, ordered all government auditing departments to tighten checks on books of joint ventures between the government and foreign businesses, the agency said.

India curbs new fishing licences

By Shiraz Sidhva in New Delhi

India will not issue fresh licences to foreign companies seeking joint ventures in the deep-sea fishing sector.

The decision came a month before state elections in the coastal Indian states of Gujarat, Maharashtra, and Orissa, where over 10m fishermen have been agitating against foreign entrants, claiming that trawlers and modern fishing methods have deprived them of their traditional livelihood.

Mr Tarun Gogoi, the food processing industries minister, said the government's fishing policy, introduced in March 1991, was intended to exploit deep sea areas beyond the scope of small fishermen. He said the ban on foreign investment had been imposed in the interests of the local fishermen, and would stay until a committee reviewed the 1991 policy.

Last month members of parliament demanded a review of the government's fishing policy which encourages foreign participation, but stipulates that they cannot hold 100 per cent equity. The MPs alleged that foreign companies had pushed up the price of fish in the domestic market and caused mass unemployment in the Indian fishing sector.

WORLD TRADE DIGEST

Recovery boosts foreign holidays

Some 528m people worldwide took holidays abroad in 1994, three per cent more than the previous year, the Madrid-based World Tourism Organisation said yesterday. "People were travelling more, taking more short trips as a result of economic recovery in the major generating markets," said Mr Antonio Enriquez Savignac, the organisation's secretary general.

Foreign tourists spent $321bn while on holiday, five per cent more than the previous year, the group estimated. Germans travelled most, making more than 65m trips abroad, followed by North Americans who made 47m. The destinations which registered the highest tourism growth were south-east Asia, Australia and New Zealand, South America and the Caribbean. *Reuter, Madrid*

Kvaerner wins two ship orders

Kvaerner, the Norwegian diversified group with main interests in shipbuilding and engineering, yesterday said one of its units would build two ships under separate contracts totalling $103.5m. Kvaerner Kleven was awarded a contract worth $29.5m to build a product carrier for Tärntank Rederi of Sweden for delivery July 1996, while Norwegian shipowner Ofoten og Vesteraalens Dampskibselsskab (OVDS) has confirmed a $74m contract for a second coastal express liner to be built by the unit's Ulsteinvik yard for delivery February 1997. *Karen Fossli, Oslo*

■ Motorola and Siemens are to provide equipment and technology for Malaysia's first international mobile telephone network. Motorola will supply base stations and Siemens switching systems by the second quarter of this year for the Global Systems for Mobile Communications (GSM) network. *AFX, Kuala Lumpur*

■ Czech heavy engineering group Skoda has won a contract to supply milling equipment for sugar cane to five refineries in Iran's Khuzestan province. The value of the five machine units, which produce 10,000 tonnes of sugar cane daily, is more than Kcs1bn ($36m). *Reuter, Prague*

Sony nears decision on Europe phone site

By Alan Cane

Sony, the Japanese consumer electronics company, confirmed yesterday that it is within a few weeks of deciding where in Europe it will assemble mobile telephones.

It will not build a new factory but instal a manufacturing line at one of its existing plants. The company said the choice was between the UK, where Sony has two sites assembling colour televisions, France where there are five plants involved in components and audiovisual manufacture, Barcelona in Spain and Feilbach in Germany. The Feilbach plant makes high technology components and televisions.

The company said the new line would assemble phones conforming to the European digital transmission standard GSM. Production is expected to begin before the end of the year. GSM has been adopted as the digital standard by all of western Europe and is likely to be used across all of eastern Europe, Asia and North Africa.

At present Sony exports several hundred thousand analogue phones a year from Japan and supplies digital phones manufactured by Siemens, the German electronics manufacturer. It is also planning to assemble digital phones in San Diego, California, in collaboration with Quadcom from this spring.

The likely factors in deciding where to site the assembly line include space, compatible machinery and an electronically-aware local workforce. The new line is not expected to involve substantial investment.

Sony said that mobile telephones were a growing market and that it wanted to site production close to its customers. There are now some 13m mobile phone subscribers in Europe; more than half the growth over the past year has been because of connections to GSM networks which allow users to "roam" from country to country.

Among Japanese digital phone manufacturers, Matsushita has the lead in assembly and sales in Europe followed by NEC and Toshiba. Mitsubishi Electric is also expected to start making mobile phones in Europe this year.

Shipowners warned in safety crackdown

By Charles Batchelor, Transport Correspondent

Further pressure for a tightening of ferry safety regulations will come on Friday with the publication of a Royal Academy of Engineering report calling for roll-on roll-off vessels to be modified so that they can stay afloat for at least 30 minutes after taking on water.

The academy, an independent organisation of professional engineers, is also expected to criticise the timetable laid down by the UN's International Maritime Organisation for the modification of ferries built before 1990.

Sir William Barlow, academy president, announced plans for an inquiry following the sinking of the ferry Estonia in the Baltic last September with the loss of more than 900 lives.

Another professional organisation, the Royal Institution of Naval Architects, has also called for a tightening of safety standards while the IMO has appointed a panel of safety experts to study ways of improving safety.

The government warned yesterday that it would not tolerate lax safety standards on vessels entering UK ports after its Marine Safety Agency revealed that five countries accounted for half of the 93 non-UK registered merchant ships detained in the past six months.

Mr Brian Mawhinney, transport secretary, said he would maintain pressure on non-UK shipowners after inspectors discovered that wooden plugs had been used to keep one vessel afloat while another was found with extensive safety failings only three weeks after being approved by its own government's inspectors.

Russia topped the list of countries with poorly maintained vessels, and 13 of its ships were held by UK government inspectors. It was followed by Cyprus and Malta with 10 ships each and Bulgaria and Panama with seven vessels each. The safety agency will target these countries in future inspections because of their poor record.

Overall 8 per cent of the 1,140 ships inspected over the past six months have been held for periods of up to 40 days because of safety failings. Of particular concern are the east European fish factory ships or "klondykers" which have had a particularly poor safety record and which are to be subjected to additional controls.

Safety agency inspectors found that 77 of the 160 klondykers examined were sub-standard, but only 10 could be detained because the others were not in harbour.

The most common areas of failure over the six months were fire equipment and life-saving gear. More than three-quarters of the detained vessels were over 15 years old.

The right royal publishing battle

One sector of the economy grew last year, reports **Peter Aspden**

Britain's beleaguered royal family, riven by internal strife and haunted by the tabloid press, tried a new way of communicating with each other in 1994 – via the nation's bookshelves.

The trilogy of royal books which followed in quick succession in the autumn were all supposedly founded on the desire of family members and their intimates to tell their side of an increasingly tawdry story while retaining a thin veil of anonymity.

And the jousting appears set to continue, with American authoress Kitty Kelley working on a book about the life of Prince Philip and the rest of the royal family.

First this year came Anna Pasternak's *Princess in Love*, published by Bloomsbury, the alleged story of the Princess of Wales's passionate affair with Major James Hewitt, written in co-operation with Hewitt and shrouded in unprecedented secrecy; even bookshops only knew about the book when it was delivered to them on a Monday morning in October.

Ms Pasternak's breathless, Cartlandesque work, which described the princess and her lover as lost "in a sybaritic haze of abandonment" was followed by the distinctly sober tones of the broadcaster Jonathan Dimbleby in his substantial biography of Prince Charles, *The Prince of Wales*, published by Little, Brown.

Mr Dimbleby said the prince had authorised the biography as a "gamble" taken to correct the inaccuracies told about his marriage in the press. He painted a portrait of a troubled man who, although prone to dark introspection, cared passionately about the country he was born to rule and who had been unjustly blamed for the break-up of his marriage.

The final book in the trilogy, Andrew Morton's *Diana: Her New Life*, published by Michael O'Mara, relied on testimony from the princess's closest friends and advisers, who allegedly told Morton that Diana had become "a prisoner of her own making, a captive of her psyche" in her bid to create a new life for herself after breaking with Charles.

The success of Morton's previous book, *Diana: Her True Story* made it inevitable that a spate of royal books would follow. It has sold 5m copies worldwide, has been translated into 27 languages and made its author a millionaire.

While publishers are coy about discussing advances and sales figures for the latest crop of books, Morton is reputed to have been paid £200,000, Dimbleby £100,000 and Pasternak £75,000. There has been disagreement over whether Hewitt was paid for *Princess in Love*. All three books have been riding high in the UK best-sellers lists over the lucrative Christmas and new year period.

A thriving industry for the 90s

Title	Author	Pedigree
The Tarnished Crown: Crisis in the House of Windsor	Anthony Holden	Ex-Sunday newspaper correspondent in London and Washington who wrote biographies of Prince Charles in 1978 and 1991
Diana: Her True Story	Andrew Morton	World best-seller alleging that marriage with Prince Charles had been loveless for years
Diana: Her New Life	Andrew Morton	"A tedious mish-mash of second or third-hand gossip" – Buckingham Palace
Royal Throne: the Future of the Monarchy	Elizabeth Longford	Countess of Longford, author of Victoria RI and The Royal House of Windsor
A Greater Love: Charles and Camilla	Christopher Wilson	Gossip columnist with Today newspaper
The Rise and Fall of the House of Windsor	A.N. Wilson	Novelist and literary editor of the London Evening Standard
Behind Palace Doors	Nigel Dempster and Peter Evans	Dempster has been gossip columnist for Daily Mail since 1971
I'll Tell the Jokes, Arthur: Me, Diana and the Royal Family	Arthur Edwards	Photographer with The Sun newspaper who dogged royal footsteps for many years
The Royal Marriages	Lady Colin Campbell	Also wrote Diana in Private: the Princess Nobody Knows; was alleged by her ex-husband to have been born a man
End of the House of Windsor: Birth of a British Republic	Stephen Haseler	Professor of government studies at London Guildhall University
The Prince of Wales: a Biography	Jonathan Dimbleby	"Official biography" by scion of a famous broadcasting dynasty
Diana v. Charles	James Whitaker	Royal reporter for Daily Mirror
Fall of the House of Windsor	Nigel Blundell and Susan Blackhall	Senior journalists on Daily Star; also husband and wife
Prince Edward: A Life in the Spotlight	Paul James	Biographer of the Princess Royal; born and spent childhood near a royal palace
The Queen Behind the Throne	Michael De-La-Noy	Historian of Windsor Castle who used to be press officer for archbishop of Canterbury
A Princess in Love	Anna Pasternak	Ex-Daily Express journalist; distant relation of author of Dr Zhivago

UK NEWS DIGEST

Pay soars for health trust chiefs

The pay of the chief executives of self-governing trusts in the state health service has risen well beyond government guidelines which have restricted increases for doctors, nurses and ancillary workers, says Incomes Data Services, an independent research organisation. It shows rises of up to 27.8 per cent for chief executives while their employees below management level have been restricted by the government's 1.5 per cent public-sector pay policy.

IDS has analysed earnings in 130 trusts in the National Health Service. The average earnings increase for chief executives was 6.6 per cent while most doctors, nurses and ancillary hospital workers – despite incremental pay increases – won increases of less than 4.9 per cent and rises in average basic rates of only 3.0 per cent. *Robert Taylor, Employment Editor*

Bonuses disclosed

More than half of UK companies disclose directors' bonuses in their accounts compared with just over a quarter a year ago, says the accounts monitor Company Reporting. A survey of 475 sets of accounts published by the Edinburgh-based analysts shows that a sixth of companies disclose that bonuses are linked to earnings per share while fewer than 4 per cent reveal the actual basis of bonus calculation.

"With recent calls for enhanced disclosure of directors' remuneration and closer links between directors' rewards and shareholders' returns, companies are caving in to these Cadbury committee [on corporate governance] and institutional-led pressures," Company Reporting says. It lists SmithKline Beecham, Reuters, Kingfisher and Glaxo as companies which disclose the criteria behind directors' remuneration packages.

But the increased transparency of the accounts on remuneration is undermined by lack of detail and the wide range of criteria used to assess directors' performance, says the survey. *Jim Kelly, Accountancy Correspondent*

Training criticised

Outdoor adventure training used by companies for team-building may do more harm than good for some participants according to research by psychologists at Birmingham and Warwick universities. A study published at the British Psychological Society occupational psychology conference said adventure-based management training programmes could backfire when they involved competing teams producing clear winners at the end of the course.

157 postgraduate students were asked what they felt they had gained from 2½ days of competition. Those in the losing teams felt they had failed, and the researchers said this sense of failure could affect future work performance. *Richard Donkin, Labour Staff*

Calf shipment blocked

Livestock producers urged the government to keep open the trade with mainland Europe after protesters blocked two truckloads of calves heading for France from the port of Shoreham in southern England. About 250 demonstrators prevented the trucks from reaching the ferry terminal despite efforts by about 100 police officers to break up the protest.

The Royal Society for the Prevention of Cruelty to Animals, which took part in the demonstration, said: "We don't want to see animals being shipped through Shoreham. There's a lot

of public anger about this." Mr Gavin Strang, chief agriculture spokesman for the opposition Labour party, said: "Continental veal production methods are banned here because we regard them as cruel." But the National Farmers' Union said: "People have the right to protest, but this is a legitimate trade and it should be allowed to continue." *Alison Maitland, Farming Staff*

OPENING TIME: Parents will be allowed to take young children to some pubs next month. At the moment nobody aged under 14 – other than babies – is allowed in pubs. Under new government rules children under 14 will be allowed in up to 21h00 if accompanied by an adult.

SUICIDE CONFIRMED: Frederick West, the builder, charged with murdering 12 young women including his first wife and two of his daughters, killed himself in his prison cell, dying from "cerebral anoxia due to hanging", police said after a post-mortem examination.

OFF PISTE: Many skiers were kept off the slopes in Scotland yesterday by winds of up to 120kph. Cairngorm Chairlift Company said access roads had been closed because of drifting snow. Skiing on the Nevis range was restricted to the lower slopes.

Weather, Page 12

Waste is alleged at defence ministry

By Bruce Clark

Mr David Clark, the opposition Labour party's spokesman on defence, yesterday claimed that at least £5.2bn worth of unnecessary expenditure by the Ministry of Defence had been disclosed during 1994.

The 19 items listed by Mr Clark – extrapolated from answers to parliamentary questions, studies by the National Audit Office, and reports by parliamentary committees – ranged from small but embarrassing sources of expenditure, such as fox-hunting and domestic servants, to overruns on weapons systems amounting to hundreds of millions of pounds.

But his list included more substantial charges including the disclosure by the House of Commons public accounts committee that costs for developing the Eurofighter aircraft have exceeded initial projections by £996m.

A defence ministry spokesman said it was difficult to comment on such a wide range of charges, all of which were in the public domain already. He said reports cited by Mr Clark had been either been answered by the ministry already or would be answered soon.

BT will cut cost of transatlantic calls by up to 22%

By Alan Cane

British Telecommunications is to cut charges for transatlantic calls by between 20 per cent and 22 per cent. It is also to raise line rental charges in the UK by nearly double the rate of inflation. Changes take effect from February 1, and BT expects its revenues this year to rise by £73m as a result.

The cost of a daytime call to the US or Canada is to fall by 22.3 per cent from £1.53p ($2.38) for three minutes to £1.19, including value added tax. A three minutes cheap rate call comes down by 20.8 per cent to £1.14 from £1.44 including VAT.

The rental increases are the maximum allowed under a formula which allows BT to "rebalance" low line-rental charges with artificially high call costs. The price cuts apply only to the lucrative transatlantic routes where competition is expected to intensify after American Telephone & Telegraph, the largest US operator, takes up its newly granted UK public telephone operator's licence.

Mercury Communications, which is 80 per cent owned by Cable & Wireless and 20 per cent by Bell Canada, cut the cost of calls to the US for its largest customers before the turn of the year. It said yesterday it would also cut prices to give its residential customers a 10 per cent advantage on transatlantic calls.

BT has still to find ways of returning some £114m in total to customers this year to abide by the terms of the formula which controls its prices. The changes mean that BT will gain £108m a year from the line rental increase, but lose £35m a year from price cuts.

Sales of mobile phones fulfilled their Christmas promise with Vodafone, the UK market leader, and Cellnet, its chief competitor, claiming record connections for December and the final quarter of the year.

If trends in sales continue, Cellnet, a joint venture between British Telecommunications and Securicor, could become the UK's largest mobile network this year after lagging behind Vodafone for a decade. Mercury One-2-One and Hutchison Microtel Orange, the two comparative newcomers to UK mobile telephony, reported excellent business before Christmas but gave no figures.

Lex, Page 12

Supply position has moved 'from feast to famine'

Steel prices rise by up to 12%

By Andrew Baxter

Price rises will soon test the nerve of steel users as they try to pass on to customers the increased cost of their raw materials. Rises of between 6 per cent and 12 per cent came into force this week for many commonly-used types including strip products, stainless steels and engineering steels.

It is the rise in the price of high-integrity engineering steel that worries Mr David Powis, director-general of the British Forging Industry Association. He says prices of carbon and alloy engineering steels – the basic feedstock of the forgings industry – rose by at least 10 per cent at the start of the year, taking the increase since the beginning of 1993 to 30 per cent.

"The battle is just beginning," he says. With raw material accounting for 40 per cent to 50 per cent of the price of a typical forging, "the burden of financing falls on the steel user if it cannot get a prompt agreement from the customer on an increased price."

As the consultancy Meps Europe made clear last month, the rapid increase in steel prices through 1994 was caused by more factors than increased demand. At the start of 1994, it says, most integrated steel mills in Europe were supplying semi-finished products to export markets. This created a tightness of supply just as UK customers were seeing their order books pick up.

UK steel users are part of what Mr Peter Fish at Meps calls an "exaggerated demand and price cycle" that seems destined to continue. "The industry will always lurch from crisis to boom conditions as the destocking and restocking phases develop," he says.

Some observers suggest that the shortages of steel have been exacerbated, by the steel stockholders, which have traditionally acted as the buffer between the steel mills and the general steel market.

Mr Geoff Field, director of the National Association of Steel Stockholders, admits his members like price increases. "You can stock up before a price increase and then sell at the new price," he says. But over the past two years, he adds, stockholders' margins have been eroded because of resistance from customers to price increases. Stockholders have been working hard to convince customers of the need to pass on increases.

Mr Field says the mills are feeling bullish about demand and their ability to raise prices, and that the steel supply situation has turned from "feast to famine" in six months.

MANAGEMENT

Ralph Atkins on a campaign by one corporate insurer to rebalance an unequal relationship

Insurance rift at risk

If a passenger on London Transport is unhappy with the service, compensation is available under the organisation's customer charter.

If the man responsible for buying insurance for London Transport is unhappy with the service from insurance companies, to whom does he turn?

For the moment, Clive Pracy is campaigning publicly for what he would regard as a decent, fairly priced service. "It is not about bashing the insurers," says London Transport's head of risk management. "It is about wanting to knock their heads together and say: 'We need you but we don't need you at any price and under any circumstances. We are getting fed up with being told what we can have.'"

His sentiments, shared by some other corporate risk managers, highlight a rift between big commercial buyers and sellers of insurance products. In the past few years the cost of many insurance policies bought by companies has increased, while others have been withdrawn or tough conditions imposed.

Now, some company risk managers – who combine the function of buying insurance with assessing and controlling risks within a company – are becoming more vocal in their criticism.

The obvious riposte from the insurance companies is that claims have also been rising rapidly and buyers are expecting higher quality at lower prices. Pracy admits that London Transport has not proved the easiest organisation to insure: 6m passenger journeys are made each day on the Underground and buses, putting pressure on a sometimes decades-old infrastructure. Its image remains blighted by the 1987 King's Cross tube station fire in which 31 people died.

Pracy also acknowledges that since he joined London Transport's staff in 1991 he has cancelled about 200 insurance policies considered unnecessary and has trimmed the organisation's insurance bill by about £3.5m – a decision hardly likely to encourage insurers that London Transport offers an opportunity to increase sales.

But his point is that London Transport provides an example of the insurance industry failing to provide proper service to large clients. As a council member of the Association of Insurance and Risk Managers in Industry and Commerce – the trade association for risk managers and company insurance buyers – Pracy's most immediate concern has been over employers' liability insurance, required by law to cover against deaths and injuries at work.

Faced with rapidly rising claims, not least because of the cost of industrial diseases, insurance companies have imposed from this month a basic claims limit of £10m. For an organisation such as LT, this level of cover would have been inadequate. Only in the last few weeks has a market for cover over £10m begun to develop.

Some large groups with many subsidiaries might have had difficulty meeting their legal obligations if the government had not announced a temporary relaxation of the relevant legislation just before Christmas.

Pracy likens the frantic negotiations in recent weeks over the future of EL policies – involving insurance companies, brokers and the government – to the drama over the withdrawal in 1992 of terrorism insurance cover. The problem then was resolved only when the government intervened and agreed to become reinsurer of last resort.

LT's employers' liability policy does not expire until March. But also worrying Pracy is the threat he sees of insurance companies withdrawing cover for London flood damage.

Pracy accepts that insurance companies may well want to increase the premiums for flood risk. They may even want to stop offering cover at all. "What I'm saying is 'give us a bit of notice'. Insurers ought to be above saying 'sorry, we are pulling out of the market and you will have to put up with it'. We're in a service business. Insurance ought to be a service business, but I fear there is little sign of it."

Pracy gives as an example the reaction of insurance companies to the King's Cross disaster. "Though a deep, deep tragedy, it was not a catastrophe in insurance terms. It cost about £15m, of which a substantial amount was self-insured [by London Transport]. But that is not how the insurance market saw us. The minute it happened, they increased premiums, put terms and conditions on policies, and increased deductibles [in effect, policy excesses]. Hurricanes and storms are 'catastrophes' which cost billions of pounds."

Seven years after Kings's Cross, and after investing £1bn in safety measures and overseeing a change in LT's safety culture, Pracy thinks LT is still viewed unfairly.

In responding to what it regards as the failure by insurance companies to provide attractive products, LT has not simply cut the policies it buys. It has set up its own "captive" insurance company, taking advantage of less stringent solvency requirements in Ireland. Routemaster Re (Dublin) began trading in July, absorbing many of the risks borne by the now-privatised London bus companies regulated by LT. London Transport hopes soon to set up another captive to cover other parts of the organisation.

Pracy sees that trend from reliance on traditional insurance companies continuing. He envisages helping to develop "affinity groups" whereby large buyers of insurance would set up their own operations.

History would be repeating itself: Lloyd's of London was formed by traders unable to obtain adequate marine insurance. "For some classes of risk where the insurance industry is unable to give suitable levels of cover, the rumblings have started. Discussions in smoke-filled rooms have begun," says Pracy.

But Pracy would also like to engage in a more constructive dialogue with the insurance companies, reinsurance companies and brokers. "They should look at the market that they have got and ought to be trying to serve. Once they have lost a buyer from a market, I can't see them going back."

Clive Pracy: 'Insurance ought to be a service business, but there is little sign of it'

It's not about bashing the insurers. It's about wanting to knock their heads together'

A boardroom myth exploded

Engineers have as much chance of reaching the top as anyone else, argues **Richard Barry**

It is difficult to attract ambitious young people into engineering in the UK. One reason is that an engineer is widely perceived as having a poorer chance of reaching top management than other graduates or accountants. What makes this perception particularly regrettable is that it is just plain wrong.

Recently it has become possible to discover the truth. The Office of Population Censuses & Surveys has made available to the public samples of anonymous records (SARs) from the 1991 census. The most useful of these contains records of 1.1m people, a 2 per cent statistically representative sample of the entire population of the UK.

By sorting through this huge database we can pick out those people in full-time employment in industry (defined as SIC92 groups 1 through 4). We can look at those with bachelor's degrees or higher, separating graduate engineers from others, and then look at the number that are top managers (TMs) in large firms (defined as those with more than a few hundred employees). Grossing up the sample to approximate the UK population, we get an interesting picture.

The accompanying table confirms that fewer than half of the UK's large company TMs are graduates. Compared with the opposite numbers in the US, Japan, Germany and France, the typical top manager in Britain is poorly educated.

But of the 40 or so per cent who are graduates we find no evidence of discrimination against engineers; all graduates seem to have about the same chance of getting to the top, which is about 10 times better than a non-graduate's chance.

The figures probably understate the engineers' advantage for two reasons. First, the census sample only records the subject of a person's highest qualification; thus a person with a bachelor's degree in engineering followed by an MBA will not show up as an engineer.

Second, and more important, not all engineers want to become managers. While it is probably fair to guess that a graduate of history, say, who enters industry will almost certainly be aiming for management, the same is not true for all engineers.

Many engineering graduates just want to do engineering and find management duties tiresome. It is therefore likely that an engineer who wants to go into management has a much higher chance of becoming a TM than a non-engineering graduate.

What about accountants? Surely an accountant has a better chance than an engineer of reaching the CEO's chair? Again: not true. The Engineering Council carries out a detailed survey of a sample of its membership every two years. Each year the Institute of Chartered Accountants issues a basic questionnaire to all its members. From their data, we can compare chartered engineers and chartered accountants in industry:

Chartered engineers: 3,370 responses, 237 TMs, 7 per cent; chartered accountants: 11,908 responses, 178 TMs, 1.5 per cent.

	Employees ('000)	TMs number	TMs per thousand
All	5,800	3,000	0.5
Engineering grads	156	500	3.0
Other grads	235	800	3.0
Non grads	5,409	1,700	0.3

Source: 2% Individuals SAR. Crown copyright

These figures are not comparable with those in the table: here the engineers and accountants may work for any sized company, not just large ones. Second, not all graduate engineers are chartered and not all chartered engineers are graduates.

The samples are small, so we should not jump to the conclusion that a chartered engineer has a four times greater chance of making it to the top in industry than a chartered accountant. What we can say, though, is that chartered engineers are not disadvantaged compared with chartered accountants in the competition for the top slots.

Even though graduate engineers have at least as good a chance of reaching the top as other graduates, and a much better chance than non-graduates, the fact remains that only 500 out of the 3,000 top jobs in industry are held by engineers.

Does this matter? This question often triggers furious (and partisan) responses. Everyone points to Germany, where the top managers in industry are predominantly engineers (and many with doctorates too) – and its industry outperforms the UK's. These are the last points of agreement, however.

There are two opinions on the subject. Theory A says that we must have more engineers at the top; only engineers have the technical ability to guide industry to success.

Theory B says that what is important is to get our brightest and best people into industry – their field of study is irrelevant. Theory B holds that the German evidence is a red herring. German industry is successful because it has managed to attract the brightest and best; the fact that the brightest and best have tended to study engineering is irrelevant.

No one knows which theory is correct, but work is under way at Manchester and Warwick universities to try to find out. If Theory A is right, then industrial companies headed by engineers should outperform those headed by non-engineers. Early findings suggest this may be the case.

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The SARs are available through the university's Census Microdata Unit. Fax: 061 275 4722.

PEOPLE

Top team with the Woolwich

Yesterday's board meeting of the Woolwich Building Society, the UK's third largest, was the first since the announcement of Peter Robinson (right) becoming group chief executive designate, and Sir Brian Jenkins as future chairman.

Robinson, 53, is currently deputy chief executive, and has widely been expected to succeed Donald Kirkham, who retires later this year, but the appointment of Sir Brian, 59, is more surprising. He joined the Woolwich board only last summer, and is still a senior partner in accountancy firm Coopers & Lybrand. He is expected to leave Coopers about the time he succeeds Alan McLintock as Woolwich chairman in May.

Michael Tuke, 56, has been appointed finance director in succession to Brian Rogles, who has retired, and John Stewart joins the board as operations director.

While the announcements may make little immediate difference to the running of the society, over a longer period the new team could see Woolwich leaving behind mutual status in favour of becoming a public limited company.

It is also striking that at a time when societies are alive with the talk of mergers – where the jobs of chief executive and chairman can be critically important in agreeing a deal – Woolwich has filled both the posts, which suggests that it would consider a merger only if it were clearly the larger and dominant partner.

"In five years' time, wherever we find ourselves constitutionally, the Woolwich identity will be preserved," says Robinson. *Alison Smith*

Konishi quits Glaxo

Hiroshi Konishi, executive director of Glaxo responsible for Japan, has resigned from the board with immediate effect.

Konishi was appointed to the board in 1990 as a symbol of the company's commitment to Japan, the world's second biggest drugs market. But Glaxo's Japanese business has not grown as quickly as the rest of the business and still only accounts for 6 per cent of sales.

Konishi remains president of Nippon Glaxo. He and his family own the remaining 50 per cent of the company. According to the company, Konishi will "devote all of his efforts to the management of Glaxo's 50 per cent-owned Japanese associate Nippon Glaxo and the development of the Japanese market for Glaxo's products".

His resignation from Glaxo, which officially changed its name from Glaxo Holdings plc to Glaxo plc on January 1, could be a prelude to a change in the ownership structure of Nippon Glaxo. Other drugs companies, including Sweden's Astra, Glaxo's main rival in the ulcer drug market, have taken closer control of their Japanese operations recently. *Daniel Green*

■ **John Harper, 49**, who missed out on the chief executive's job at Avon Rubber, has resigned as finance director. His job is being filled on a temporary basis by David Smith, 50, who has held a number of similar assignments over the past few years.

Harper joined as Avon's finance director in 1990 and the company stressed that his departure had been amicable. It said he had been playing in a company golf tournament as recently as last week. Steve Willcox, 48, Avon's new chief executive, praised Harper's loyalty and integrity. It is understood that Harper was on a two-year contract but the company could not say whether he would be compensated for loss of office.

David Smith, who is doing Harper's job on a temporary basis, is a former finance director of Norcros and SD-Scicon. Avon says he has agreed to do the job until a permanent replacement can be found.

Harper's departure at the end of the last month, together with the retirement of Tony Mitchard, Avon's chief executive, means that Avon has only two executive directors – Willcox, who had been running Avon's European operations, and Don Samardich, head of Avon's US business. *William Hall*

■ **Rolls-Royce Industrial Power Group** yesterday announced the departure, with immediate effect, of Trevor Murch, managing director of Parsons Power Generation Systems, the Newcastle-based turbine generator maker.

The company was tight-lipped about the sudden news, saying only that Murch, Parsons' md since June 1992, had left to pursue a career outside Rolls-Royce.

His successor, who begins at Parsons today is Michael Boden, previously md of Rolls-Royce subsidiary International Combustion of Derby. Boden's successor there is Brian Roulston, previously operations director.

Parsons, which employs 2,350 people, had a difficult and frustrating 1994, during which it was unable to finalise negotiations to clinch three promised Indian contracts worth £660m.

In September the company announced the loss of 600 permanent and temporary jobs and in November it learned that the Malaysian government's trade ban with the UK had cost it a £100m plus contract which went to a US rival. Manufacturing work on Parsons' existing export contracts runs out this summer.

Before joining Parsons Murch was president of Bristol Aerospace of Winnipeg, Manitoba, also part of Rolls-Royce. He had previously held other management positions within the company. *Chris Tighe*

■ **David Coles**, formerly director of business development at Safeway, has been appointed marketing director of SOMERFIELD HOLDINGS.

■ **John Shanley** has been promoted to md of MOBIL Gas Marketing in succession to Ted Trafford.

■ **Tim Smith**, formerly a director of Northern Dairies, has been appointed md of SARA LEE Bakery UK.

Dick Linford makes News

Rupert Murdoch's News International has poached Dick Linford, 42, director of finance at BSkyB, to fill the finance director's slot left empty by Stephen Barraclough's move to New York to be chief financial officer of EMI Music.

Linford, who has an MBA from Boston University and worked for Occidental Oil from 1977 to 1990, will be the only British executive at the top of News International, Britain's leading newspaper publisher.

John Dux, who runs the newspaper operations, is an Australian, as is Douglas Flynn, his deputy managing director of News International Newspapers, has also joined the board. Flynn was formerly managing director of News Limited Suburban Newspapers in Australia. Gus Fischer, News International's chief executive, and Peter Stehrenberger, the company secretary, are both Swiss. Barbara Thomas, a US lawyer who was briefly head of business and legal affairs, but went non-executive last year, has resigned from the board. *William Hall*

■ **Andrew Summers** is the new chief executive, as from the end of this month, of the revamped Design Council, the quango which recently transformed itself from a 230-person bureaucracy to what is intended to be a lean think-tank of 40.

Summers, 48, has been chief executive of the Management Charter Initiative, the industry-led body which aims to improve the quality of UK management, since 1991.

Before MCI, Summers spent 25 years in the food industry, 10 of them as managing director of Sharwood's and then Rank Hovis McDougall Foods. His work in packaged goods gave him direct experience of the importance of effective design, he says, particularly at Sharwood's where he was "building a brand virtually from scratch".

Summers says he was attracted to MCI because it gave him an opportunity to work with both the private and public sectors – a theme which will continue at the Design Council. "Being able to handle both the private sector and government is something that not many people seem either to want or to be able to do," he says. *Diane Summers*

BUSINESS AND THE ENVIRONMENT

To a green manor born

Deborah Hargreaves meets a UK landowner keen on conservation

The seventh Earl of Leicester surveys his 500-acre park and manor house, Holkham Hall. "One can't deny there are undoubted perks to living in a place like this but it's damned hard work," he says. The running costs of the house alone are more than £200,000 a year – less than half is met by receipts from visitors.

The biggest landowner in Norfolk and one of the largest in the UK, Lord Leicester is part of a diminishing band of the British aristocracy owning an estate which is not encumbered with huge debts.

The sound financial base of his 25,000-acre estate enables him to indulge his passion for conservation and environmentally-friendly farming. Coming from a long tradition of agricultural innovators, he seeks to cut the use of agro-chemicals on his four farms and to introduce conservation measures.

He has drawn up detailed conservation plans for wild partridges over 6,000 acres. "Grey partridges are an indication of a healthy countryside. If you've got them, it means you've also got good hedges, nettles, butterflies and a variety of grasses," says Lord Leicester.

"It may seem a contradiction to preserve the birds in order to shoot them, but without the shooting interest there would be no conservation."

He employs seven gamekeepers to keep natural predators in check, which he would not do if he did not enjoy shooting. He organises up to 15 shooting parties a year, leaving enough birds to breed for the next season.

Lord Leicester's interest in conservation extends to the 20,000 acres of farmland which is rented out and he would like his tenant farmers to follow advice on bird preservation and the management of set-aside (the European Union policy under which cereal farmers leave some of their land uncultivated to reduce food surpluses). "If looked after properly, set-aside can bring great benefits to wildlife."

Every year he writes to his tenant farmers detailing how he would like them to look after their idle land. New tenancy agreements are drawn up to stress conservation measures.

Some ignore his advice, while others complain that the partridges destroy crops. But under existing tenancy arrangements, a landowner has little overt influence on his tenants if they choose not to follow certain guidelines.

Lord Leicester takes his role as a country landowner very seriously. "It's impossible for one's family to live here since 1616 without feeling a considerable responsibility towards the land and local people," he says.

"We don't have to run the estate on totally and utterly commercial lines, which means we are able to fulfil certain obligations to local people."

His 84 employees live in houses on the estate rent-free which they will keep until they die. The rest of the 300 houses are rented to local people at low rents.

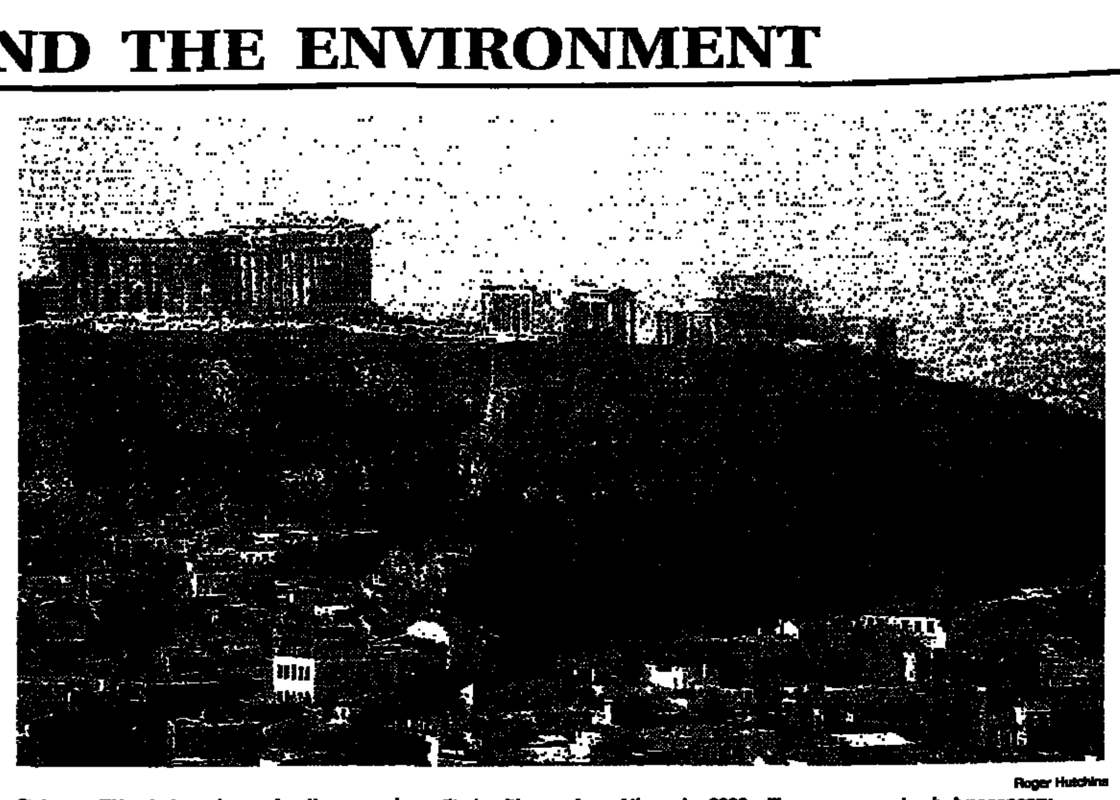
His farming connections extend back to the creator of the four-crop rotation system 150 years ago when one of his ancestors, Thomas Coke, led the agricultural revolution in Norfolk.

His involvement in farming today is based on the strategic direction of 4,000 acres divided into four farms. These are the real moneyspinners on some very fertile estate land although, he insists, all have overdrafts from modernisation carried out during his tenure.

Farm profits must pay part of the upkeep of the house. Visitors – around 30,000 a year – bring in £73,000. The house costs £23,000 a year to heat and £24,000 to cover insurance costs.

He prefers to sell objects from the house rather than land or houses to fund large-scale repairs, unexpected bills or death duties. This has, in the past, incurred the wrath of heritage groups.

"They oppose anything we sell, but don't tell us how to keep the roof on. I prefer to sell off something the visitors don't see," he says.



Roger Hutchins

Stringent EU solutions: improving the poor air quality in cities such as Athens by 2000 will prove expensive but necessary

Europe has looked to the US as it prepares its strategy for reducing pollution, writes **Robert Corzine**

Fuelling a move to cleaner air

On New Year's Day motorists in the smoggiest US cities began filling their cars with reformulated petrol, a new oxygen-rich fuel which US officials hope will result in sharp reductions in the air pollution that has undermined the quality of life in some of the biggest metropolitan areas of the country.

The introduction of reformulated fuel – which also contains reduced levels of harmful aromatics, including benzene – represents the biggest change in motor fuel specifications since unleaded petrol was introduced in the 1970s. It marks the end of a political and technical process which began with the passage of the 1990 Clean Air Act.

Many US oil companies bitterly opposed the new fuel specifications laid down by the act. They complained that conditions unique to Los Angeles, the worst-affected city, were being used as a basis for imposing a national solution.

Some launched a rear-guard lobbying effort to delay the mandatory introduction of the new fuel in the nine smoggiest areas in the US. They cited the billions of dollars that had to be spent to upgrade refineries and the logistical nightmare of having to segregate the new petrol from conventional blends in the vast pipeline system that delivers refined petroleum products to US cities.

In recent months scare stories circulated about the possibility of severe shortages of the new fuel and the likelihood of big price differentials between it and regular, unleaded petrol.

The situation became even more confused in the weeks running up to January 1, when some areas, which were due to join the reformulated fuel programme on a voluntary basis, announced their withdrawal. Other states and cities remain unconvinced about the effectiveness of the new fuel in preventing the formation of low-level ozone, one of the main ingredients of smog.

Ultimately, however, the introduction went relatively smoothly. There were ample supplies of the fuel available for the 90m or so Americans who live in areas where it is on sale. Retail price differentials of about 6-10 cents a gallon were expected on the east coast, a level which industry observers say is in line with underlying differences in production costs between conventional and reformulated fuel.

The lessons of the US experience, with all its political infighting, uncertainty and expense have not been lost on European officials struggling with their own air pollution problem.

Some critics have accused Europe of lagging behind the US in dealing with air pollution. They say, that while the US began switching to unleaded petrol and catalytic converters in the 1970s, European Union members are still in the midst of the transition, with only about 50 per cent of cars equipped with catalytic converters.

They also complain that the EU's deadline to introduce new air quality standards by 2000 is too leisurely in the light of mounting public concern about air pollution and the health risks it may pose.

European Commission officials, however, argue that their co-operative approach will be less disruptive for the oil and car industries, and more logical and less emotional than the US approach.

The key to the EU's strategy is the "tripartite initiative", which unites the oil and car industries and the Commission in the European Programme on Emissions, Fuels and Engine Technologies (Epefe).

Prudencia Perera, a senior official with DGXI, the Commission's environment directorate, says the approach is an "ambitious and radical" departure from past practice.

It involves the Commission setting a new air quality standard for 2000. Guidelines being developed by the World Health Organisation will be used to set acceptable levels for 14 pollutants, ranging from ozone to arsenic.

Once implemented, those areas with the worst air quality problems, such as Athens, will have to impose the most stringent and probably expensive solutions. These could include special grades of very clean "city petrol".

The current focus, however, is on the completion of extensive technical studies into new fuel formulations and vehicle modifications which will apply across the EU. Over the next few weeks several hundred experts from European oil and car companies will prepare a final report on their findings to present to the Commission next month. The data will be published to ensure that the process is as "transparent" as possible.

A range of other options to reduce pollutants, including tighter vehicle inspection rules and changes to traffic flows, will be set down alongside possible fuel and vehicle changes.

All will be subject to a full cost-benefit analysis before new legislation is drawn up. It will be the first time that such a method is used in connection with EU air pollution legislation. Specific Commission recommendations that will form the basis of new legislation are expected by mid-1995.

The close collaboration between industry and the Commission has led some to wonder whether the result will be in the best interests of the European public.

Patrick Murphy, the DGXI official in day-to-day charge of the Epefe programme, accepts that a degree of suspicion surrounds the project. But he says the co-operative approach is needed in order to develop a scientifically-based and objective set of technical data.

Gilbert Portal, secretary general of the European Petroleum Industry Association, says industry also took a risk by agreeing to a co-operative approach.

"There will be no turning back" from the report's findings, he notes. And it will be a "political decision where to draw the line" on what is an acceptable cost to achieve a specific reduction in a particular pollutant.

But Portal believes co-operation has produced benefits. "In the past the oil industry was exposed to Commission decisions without any input. It is much better being inside the policy-making machinery."

That view is echoed by Jean-Pierre Reynier, head of the European Automobile Manufacturers Association. Before it was only the auto industry that came under fire when air pollution issues arose, he says.

The three men acknowledge that the rational approach which they have so carefully cultivated could be undermined, however, by the political sensitivity of the air pollution issue.

Murphy, for example, says, "it will not be possible to avoid the demagogic pressures" which are likely to come from some politicians and lobbying groups.

There might also be proposals to deal with some pollutants, such as benzene, a known carcinogenic, on a more urgent basis. The level of benzene in petrol has become a big issue in Germany and the UK, and there have been growing calls in both countries for early reductions of the substance.

More frequent ozone alerts in European cities could also add emotional elements to the debate. Last summer more than 50m Europeans were affected by smog alerts during one particularly hot spell.

Although industry officials say the levels of many pollutants are falling as the percentage of late model cars in the European fleet grows larger, they concede that the public perception is that air quality is deteriorating.

The unity of the tripartite approach could also be undermined if one industry is affected substantially more than another by the Commission's eventual recommendations.

Not surprisingly, both the car and oil industries emphasise the benefits which might flow from stricter vehicle inspection rules, given the fact that in most countries a relatively small number of older, badly maintained vehicles account for much of the pollution.

Yet both seem to accept that whatever local measures may be adopted, the EU's response to air pollution will fall heavily on the two industries. Their hope is that there will be less confrontation and expense in the run up to January 1 2000, than their US counterparts have experienced in their transition to the reformulated fuel era.

ARTS

Television/**Martin Hoyle**

Little cause for celebration

A year ago the BBC wiped the floor with the competition when it came to viewing figures during the holiday season. Over the past 10 days it has been hard to imagine why. The Corporation has subsided on to its laurels and there it has squatted with insolent complacency.

This must have been one of the worst Christmas/New Year schedules within living memory: dross upon dross, clapped out old movie on threadbare old film. At least it served to remind us of the significance of Christmas and the one person who has brought the possibility of heaven to fallible humanity, who has given some sense of purpose to countless lives and established a code of values that has transformed the hairless ape into a creature capable of joy, wonder and compassion, and in whose honour yuletide is celebrated across the world. Yes, Walt Disney was constantly with us.

Our demand for mindless pleasure is so unthinking that Channel 4's *Short Stories: The Big Break* struck a timely note last Friday, as the pantomime season ground into gear in what is still laughingly called the live (or even more laughingly, straight) theatre. Elizabeth Allen's programme cast a detached eye on three nicely assorted aspirant thesps.

The least likely-looking, a City computer expert, a balding and tubby Scouser married with a baby, was the luckiest. Not only does he always have a job to fall back on, but he was the only one to have found theatre work by the end of the programme: an Ugly Sister in Blackburn. Since he was the most Hollywood-fixated of the trio it seems like a just come-uppance for hubris.

The others were a charming Oxford graduate, wistfully hoping that it might become a middle-class profession again in the wake of Rupert Everett and Hugh Grant, and an ex-social worker. She at least acquired an agent, which she deserved for sheer sauce, delivering an excerpt from the Alan Bennett *Talking Heads* monologue about the vicar's alcoholic wife not in the unshakably *grande dame* accents of its creator, Dame Maggie Smith, but in raucously northern tones that turned it into a cross between *Coronation Street* and *Shirley Valentine* – very funny out of context.

Did French and Saunders have to audition at the Casting Couch (the specially run showcase for out of work talent) or sit for weeks beside their joint phone in a grim shared bedsit? They have reaped their reward with such spotlit displays as Friday's *Christmas Special* (BBC1). Their *Chuzzlewit* send-up had predictably good moments though it too often descended into a conventional skit on off-screen technical mishaps. But who else could have been so observant, abrasive and yet sympathetic in the scene with two ludicrously over-privileged little rich girls, neglected by their families, forced to stay at boarding school through the Christmas hols? Who else would have considered them worth satirising (or pitying), or done it so well?

Roll on the end of the holiday season. Humankind can take only so much entertainment

Perhaps satire is getting less flailingly frenetic, more thoughtful. French and Saunders were followed by *A B'Stard Exposed*, written by Laurence Marks and Maurice Gran, incredibly the authors of the now awful *Birds of a Feather*. On second thoughts, perhaps not so incredible. Their eye and ear for the spivocracy that determines how we live now are triumphantly accurate with this rogue Tory MP, an uneasily familiar compendium of certain public figures, out to undermine anything from the monarchy onwards that might interfere with the philosophy of selling anything that moves. Anti-Scots, anti-Irish, Rik Mayall's dead serious performance (as befits good comic acting) brings to life the vivid grasping tentacle-waving aspects of some of today's Conservatives: as many-handed as a Hindu god, and every one of them in a different till.

Even as you roll around (or not) at your favourite entertainers, spare a thought for their private lives. It is no fun being a star. Oh no it isn't. ITV's *Hollywood Kids* (last one tonight) wavering aim takes in too much: from the stars' families brought up in compounds in the fortresses of Beverly Hills and Belairto the 150,000 teenage gang members in the county of Los Angeles.

In between are those struggling to lead normal lives, whose children are killed by accident when a schoolmate's gun goes off in the classroom. Last week's episode was too diffuse, ending with an over-familiar resume of the Menendez case (the two rich boys who shot their parents).

ITV managed a scoop with the all-revealing Victoria Sellers (Peter's daughter) emerging as so expert on the "exciting people" who get her into messes that she is now awaiting trial on receiving charges. Other junior celebs included Moon Unit and Dweezil Zappa lamenting their entrapment in this nightmare world of opulence and violence, though in their shoes I would have been more resentful of being called Moon Unit and Dweezil.

There are already signs (witness the famous Monty Python sketch about boastfully-remembered poverty) that urban deprivation is becoming as much of a comic cliche as the sweaty passions of Loamshire once were. BBC1's *Cold Comfort Farm*, a meticulously designed and intelligently acted adaptation of Stella Gibbons' immortal spoof of the genre, was not actually very funny.

Alastair Sim was not such a great actor as Ian McKellen but he was a much funnier Amos Starkadder in the last adaptation I can remember: Rosalie Crutchley's hollow-eyed doom-laden menace, Fay Compton's mumbling about the woodshed, and Peter Egan's swelling pectorals and twitching abdominal muscles above clinging leather hipsters as the sex-mad Seth – all were hilariously better than their successors.

French and Saunders have reaped their reward with such spotlit displays as Friday's 'Christmas Special'

John Schlesinger's over-emphatic direction lacked irony, which makes one wonder why he did it in the first place. The peripheral presence of Joanna Lumley and Stephen Fry looked horribly opportunistic. Fry in particular did little except play Fry. Perhaps he needs a session at the Casting Couch, along with northern social workers and tubby Scousers to remind him what acting is about.

More self-consciousness instead of acting in *The Blue Boy*, BBC1's ghost story on Monday. Adrian Dunbar doing his usual lugubrious glooming and Emma Thompson being shrewish were a singularly unlikable couple drawn into what we are supposed to take as the supernatural in the Scottish Highlands. Slow, broken-backed, morally bizarre (was he being punished for adultery or for trying to break it off?), the piece never recovered from the casting of glum David Horovich as a kilted Caledonian or Eleanor Bron as a fey church organist with lairdly connections. Unless it was all spoof; in which case they should have been in *Cold Comfort Farm*. Roll on the end of the holiday season. Humankind can take only so much entertainment.

Cri de coeur from the solipsist's cell

Richard Eyre, director of the National Theatre, on the new agents of cultural destruction

Sometimes I feel like a thatcher (the sort that cuts up straw not cabinets), in pursuit of a craft that seems increasingly anomalous, standing forlornly on the verge of the information superhighway while the traffic roars heedlessly by. The theatre cannot exist without an audience and its concern with the frailty of being human looks absurd when set against *The Specialist*, *The Client* or the confident certainties of television, computer games, virtual reality and CD-ROM.

When television began in the 1950s, there was a justifiable fear that the theatre would be annihilated, leaving a few wisps of nostalgia above the battlefield. Many theatres died as much under the weight of their own inertia as from the challenge of television, and many of those remaining were forced to make the medium more intense and more concerned with articulating the experience of real life: hence the rise of the Royal Court playwrights, the National Theatre and the Royal Shakespeare Company, all established with utopian zeal and evangelical passion.

The zeal and the passion remain, tempered, however, as much as in any other area of life, by pragmatism. In the race of the new electronic onslaught, theatre has once again been left vulnerable and is again obliged to defy the law of gravity: to be more intense and alluring than any electronic form of entertainment.

In its early days television in this country united people, and it is not a sentimental myth to say that when only two channels existed it was possible to go into a newsagent the day after a documentary or a play had been shown and find yourself involved in a conversation, a discussion even, about the previous night's programme.

The television-watching nation is now united by one thing alone: the National Lottery, whose load of bouncing balls will be discussed in the newsagent in the doleful but resigned tones of the occupants of a prisoner of war camp discussing their food rations.

It is possible, but not inevitable, to blame Margaret Thatcher for the destruction of our culture; after all, someone who believes that there is no such thing as "society" is certainly going to be reaching for the revolver at the mention of "culture". But much as I favour laying the blame on someone who has so earnestly deserved it, fairness obliges me to widen my horizons.

Television programmes used to influence the way we thought and spoke and felt; they helped to define the way we looked at the world. If such programmes are rarer these days it is not (or not only) the fault of the TV institutions and the proliferation of channels, nor even of the programme makers themselves, but of a wholesale social revolution.

There has been a retreat from the idea of a regimented culture in which we sit down in front of the television at a particular time, or turn up at a theatre, or put ourselves passively in the hands of the artist. While writers or film-makers or composers become increasingly concerned with controlling the conditions in which their work is displayed, the audience becomes increasingly reluctant to concede this control.

We have been handed the weapons of dissent – the video recorder and the remote control – and we use them without conscience or remorse, becoming habituated to byte-sized, time-shifted fragments that render the whole idea of "live" television at best quaint and at worst meaningless.

With the remote control in our hands we become window-shoppers and pornographers

I know the argument that the agents of destruction – the video recorder and the remote control – are in themselves inncocent tools, like library steps or dishwashers, but I challenge anyone to deny that their life is unchanged by the introduction of a dishwasher; and show me the library steps that are compact enough to fit into the hand, that have the power to silence Bruce Forsyth and that can consign Noel Edmonds to a well deserved oubliette, while you slump on the sofa like a decomposing leaf.

The remote control is not a labour-saving device, it is a way of life. It has affected an entire generation in the developed world. The muscles used for locomotion have atrophied as the journey from the chair to the television set has been banished, conversation has reverted to neolithic grunts. Television programmes – *The Word*, *Don't Forget Your Toothbrush*, all breakfast television – have been created on the premise that curiosity has been diminished to the stature of an average germ.

An entire television channel has been created in order to accommodate the anticipated span of human interest, and as if all this were not enough, there is now an interactive television system which makes it possible to call up several films from a virtually bottomless videostore, enter a computer-generated shopping mall and buy whatever takes your fancy, return to one of your chosen movies and employ the handy "skip forward 10 minutes button" which, as Time magazine put it, turns out to be "perfect for finding Elle Macpherson's nude Scene in Sirens".

With the remote control in our hands we become window-shoppers and pornographers. The critic in us becomes an executioner, impatient with any idea that takes longer than a few seconds to develop, intolerant of space between words, of stillness, of silence, and like discontented cows we browse resentfully between channels, settling for a few minutes (until being forced to change channel by the commercial breaks) on a programme which we watch for no better reason than it not being as bad as others. We exercise the ultimate sanction of switching off only in an extreme case, like a heroin addict rejecting the needle in the face of death.

When I am feeling confident I can argue that the theatre will acquire an audience of frustrated emigres in flight from the electronic revolution, but my own recent encounter with the personal computer gives me little hope. It can be a harmless tool which transforms the lives of countless journalists, novelists and academics, but it can also be a pernicious thief.

I have lost three days over Christmas to a computer game. "Give me back my three days," I cry, with the same futile despair as the eighteenth century rioters who clamoured for the return of their lost time when the calendar was changed.

I have been enslaved by a computer game which demands that I find cities, build granaries, barracks and temples, irrigate grassland, send settlers to colonise my territory, diplomats to negotiate with other empires and armies to kill barbarians. No human contact is possible while playing this game; members of the family become remote ciphers, you are trapped in self-enforced solitary confinement, locked in a solipsist's cell. There is no irony but much prescience in the title of this game. It is called "Civilisation".

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● European Baroque Orchestra: Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8

● Royal Concertgebouw Orchestra: Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 4, 5, 8, 12, 13, 14

GALLERIES

Van Gogh Museum Tel: (020) 570 5200

● Odilon Redon: retrospective of the French artist's work; to Jan 14

OPERA/BALLET

Het Muziektheater Tel:(020) 551 8922

● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 13, 15 (1.30 pm)

BRUSSELS

CONCERTS

Philharmonique de Bruxelles Tel: (02) 507 84 34

● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11

● Belgian National Orchestra: with soprano Zsuzsa Misura and baritone Andras Molnar, and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12

● Monnaie Symphony Orchestra: with the Monnaie Choir conducted by Antonio Pappano plays Brahms at 8 pm; Jan 8

GALLERIES

Musée d'Ixelles Tel: (02) 511 90 84

● Gainsborough to Ruskin: British landscape drawings and watercolours from the Pierpont Morgan Library in New York; to Jan 15 (Not Mon)

BERLIN

OPERA/BALLET

Deutsche Oper Tel:(030) 3 41 92 49

● Ballet Evening: premiere of works by Debussy, Poulenc and Stravinsky. Conducted by Sebastian Lang-Lessing, choreography by Nacho Duato, Glen Tetley and Harris Mandafounis at 7 pm; Jan 14 (6 pm)

● Der Rosenkavalier: by Strauss. Conductor Jiři Kout, production by Göz Friedrich at 6 pm; Jan 8, , 15,

● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)

Staatsoper Unter den Linden Tel: (030) 2 00 4762

● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 4, 7

LONDON

CONCERTS

Barbican Tel: (071) 638 8891

● Briggite Fassbaender: the mezzo-soprano with the Academy of London conducted by Richard Stamp plays Beethoven and Mahler at 7.30 pm; Jan 16

● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12

● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7

Queen Elizabeth Hall Tel: (071) 928 8800

● Handel: Messiah: James Gaddam conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15,

● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12

● The London Philharmonic: conducted by Elgar Howarth plays Gabrieli, Stravinsky, Birtwistle and Byrd/Howarth at 7.45 pm; Jan 16

GALLERIES

Hayward Tel: (071) 261 0127

● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters; to Jan 8

Tate Tel: (071) 887 8000

● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8

OPERA/BALLET

English National Opera Tel: (071) 632 8300

● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 11, 14

Royal Opera House Tel: (071) 340 4000

● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Jan 14

● Othello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 13

● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5, 16

● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Jan 4 (2 pm)

THEATRE

National, Lyttelton Tel: (071) 928 2252

● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 9, 10 (2.15 pm), 11

NEW YORK

GALLERIES

Brooklyn Museum Tel: (718) 638 5000

● Indian Minature Paintings: 80 jewel-like paintings from the 15th -19th century; to Jan 8 (Not Mon)

Metropolitan

● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)

● William de Kooning's Paintings; to Jan 8 (Not Mon)

Museum of Modern Art Tel: (212) 708 9480

● Cy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10

OPERA/BALLET

Lincoln Center Tel: (212) 721 6500

● Heather Watts Final Performance: New York City Ballet principle dancer Heather Watts gives her last performance in George Balanchine's 'Bugaku' and Peter Martins' 'Valse Triste' at 7 pm; Jan 15

Metropolitan Tel: (212) 362 6000

● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 5, 7, 11, 14 (1.30 pm)

● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 6, 9, 14

● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12, 16

● Madama Butterfly: by Puccini at 8 pm; Jan 4, 7, 10, 13

THEATRE

Richard Rodgers Theatre Tel: (212) 307 4100

● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

PARIS

GALLERIES

Grand Palais Tel: (1) 44 13 17 17

● Gustave Caillebotte: retrospective of the painter and patron of art who belonged to the circle of impressionists; to Jan 9

Institut du Monde Arabe Tel: (1) 40 51 38 38

● Delacroix in Morocco: Delacroix's visit in 1832, when he was 34, made a lasting impression on his art; to Jan 15 (Not Mon)

Musée d'Orsay Tel: (1) 45 49 11 11

● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)

OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40

● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Paco Arrigas at 8.30 pm; to Jan 7

WASHINGTON

CONCERTS

Kennedy Centre Tel: (202) 467 4600

● Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11

GALLERIES

National Gallery Tel: (202) 737 4215

● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 7 (7 pm) , 9 (7 pm) , 13, 16 (7 pm)

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 8 (2 pm)

● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm)

THEATRE

Shakespeare Tel: (202) 393 2700

● School for Scandal: by Sheridan. Directed by Joe Dowling at 8 pm; to Jan 7

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

In search of innovators

Shijuro Ogata argues that four economic scenarios face Japan

Forecast 95

Japan's moderate economic recovery from an unusually long recession should not obscure a number of challenges on the road ahead. A profound change in the industrial, political and educational structure is needed if Japan is to develop, rather than lose, the economic prominence it earned before the recession hit.

Much has been said about the main economic challenge – Japanese industry's incomplete adjustment to the strength of the yen. Behind this lies the deeper risk of a decline in competitiveness; the difficulty of reducing Japan's former dependence on export-led growth, in favour of growth led by domestic demand; and the question of whether Japan's conservative population is ready for the changes needed to cope with slower economic growth.

Japan faces four possible scenarios, or choices, in the years ahead.

The first is an acceleration in the shift of manufacturing, financial and service industries outside Japan. The high yen and the slowness of economic deregulation both play a part in encouraging this.

Japan's neighbours, of course, would be the main beneficiaries of such investment, a boost to their own search for domestic growth. But this would further weaken Japan's labour market, already enfeebled by industrial job reductions during the recession. Eventually, Japan may be left with a handful of high-value-added, high technology industries, unlikely to create large numbers of jobs. Employment would instead be supported by inefficient sectors, such as agriculture, distribution, protected service industries and the large bureaucracy.

In this scenario, Japan's investment income would increase and the trade and current account surpluses would decline. Yet Japan's international competitiveness would weaken. The continued existence of large tracts of inefficient economic activity would, in the end, mean a lower quality of life.

A second possibility would be the repetition of earlier economic cycles. That would involve a weaker yen, supported by higher interest rate differentials between the US and Japan and the peaking out of the trade surplus. Japanese manufacturers, toughened by the earlier rise of the yen, would start to increase exports again.

Once sentiment in foreign currency markets started to change, Japanese savings, so far mostly locked up at home, would flow out again, in search of foreign investments, so weakening the yen – a boon for exporters.

A fairly large number of Japanese, perhaps optimistically, await this scenario. Yet it is a dangerous one. It would certainly strengthen the domestic economy and help revive weak corporate investment. But it risks a resurgence of the trade surplus, a renewed rise in export-oriented investment and another sharp appreciation of the yen.

A third possible scenario would be a replay of the experience of the late 1980s. After the yen started to rise sharply in late 1985, Japan tried to cope by pursuing domestic demand-led growth. The intention of the policy was appropriate and the trade surplus declined substantially.

However, too much reliance on easy monetary policy without timely activation of fiscal stimulus led to the creation of excess liquidity and violent asset inflation.

After belated and consequently painful tightening of monetary conditions, asset markets were depressed. Asset deflation continues to be a problem for financial institutions.

The bitter experience of boom and bust has made this third scenario unpopular. The strengthening of domestic demand will continue to be important, but effective measures to revitalise asset markets are not likely to be taken too easily.

The fourth and most desirable scenario would be some kind of positive structural change at home. This would require the acceptance of the benefits of a higher yen such as a surge in cheap imports and falling domestic prices, together with a lift for private economic activities through drastic deregulation.

This scenario is not easy to achieve. Long-standing foreign observers of Japan often recall many precedents of Japanese success in overcoming difficulties. They expect another demonstration of resilience.

But this last scenario requires a clear departure from the previous approach of export-led growth, at a time when the Japanese people have become more conservative and less ready to adjust themselves. Can they change?

A number of factors may assist in encouraging change, such as the fading away of early postwar leaders and memories of achievements during the most difficult years.

But the improvement of living standards has produced a strong sense of complacency; the widespread practice of consensus decision-making has made Japanese adjustment increasingly inflexible; and the strong links between politicians, bureaucrats and various business sectors have made it difficult to reach national policy decisions that override sectoral interests. Many years of peaceful seclusion from world conflicts have made Japanese reaction to global affairs slow and passive.

The most important barrier to change, however, must be the excessive standardisation of Japanese education, a reflection of the egalitarian nature of Japanese society.

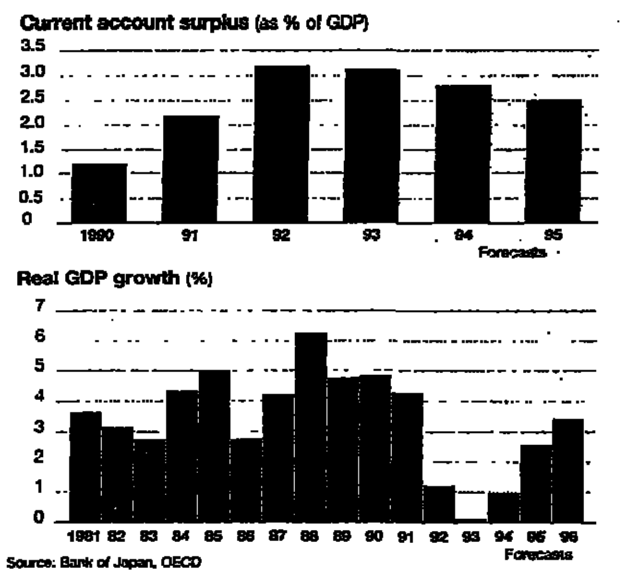
Relatively equal distribution of income and wealth, as well as the widely spread middle-class mentality, have been the basis for Japan's social and political stability. But it has given rise to an educational system mainly aiming at the enhancement of the average level of students rather than the encouragement of gifted and ambitious children.

Egalitarian education that can train many quality workers may not be bad for an export-oriented economy, where the national aim is so clear that outstanding commanders and strategists may not be needed. But that kind of education tends to ignore the importance of individual diversity which is needed in a more mature economy. The present-day Japan requires more leadership and more innovative ideas.

Having said that, Japan should not go back to a class society. The challenge of maintaining an egalitarian society while promoting intellectual elitism, and of combining social stability and independent creativity, will be the most crucial issue for Japan in the coming century.

The author is senior adviser, Yamaichi Securities

Japan: several choices



Source: Bank of Japan, OECD

Give two cheers

Hermann Remsperger predicts moderate growth in Germany

Forecast 95

West German gross domestic product appears to have risen 2.5 per cent in 1994, with higher growth in east Germany producing expansion of 3 per cent for the whole country. Both demand-side and supply-side factors contributed to this surprisingly strong upswing, which was achieved in spite of a slight appreciation of the D-Mark in real terms.

On the demand side, Germany benefited from a sharp increase in foreign orders. This follows the familiar cyclical pattern in Germany, with exports leading, capital spending following, and private consumption bringing up the rear. But the recovery in exports also reflected the supply-side strength of the German economy. Last year demonstrated that German exporters are much more competitive than often realised.

While international comparisons of unit labour costs in manufacturing have often been used to support claims of falling German competitiveness, this approach uses too narrow a basis for measuring companies' economic prowess. Bundesbank calculations show that unit labour costs measured across the whole of the enterprise sector have in fact declined over the past 20 years.

The favourable trend of German exports is also due partly to the regional structure of Germany's foreign trade. More than 20 per cent of German exports are with developing countries and countries in transition, including the former communist states. Sales to these groups of countries, which have been rising rapidly, have a stabilising influence on total German exports.

If the usual cyclical pattern is followed, the recovery will be supported in 1995 by revived business investment. But the big unknown is the development of personal consumption.

In 1994, low wage settlements, the decline in employment, social expenditure cuts, and higher taxes and social insurance contributions slowed the growth of income. Nevertheless, personal consumption remained relatively stable, since private households ran down their savings, providing a positive "buffer" for the economy as a whole. The savings ratio last year fell to about 12 per cent, down some 2 percentage points from 1992 levels.

The question now is whether this pattern will continue this year. Because of the reintroduction of the "solidarity" surcharge on income tax on January 1, and other rises in taxes and levies, many observers expect a decline in private consumption at the beginning of 1995. However, there is scope for saving to be reduced further in favour of consumption, since west German households on average have financial assets of almost twice their annual disposable income.

A principal reason for my favourable assessment of the German economy is that companies have made significant increases in underlying profitability in recent years. To reduce their break-even points, companies have cut jobs in production and in management. The number of employees in manufacturing fell 15 per cent between the first quarter of 1991 and the second quarter of 1994.

Companies have also become leaner by trimming their product ranges, outsourcing and increasing co-operation with domestic and foreign partners.

Such adjustments in the enterprise sector have contributed to the supply-side improvements in the German economy. However, the outcome of the 1995 wage round will be crucial in maintaining competitiveness.

While the unions have put in wage demands of about 6 per cent for 1995, final settlements are normally below 60 per cent of initial demands – even in periods of low unemployment (certainly not the case at present). Moreover, opinion polls show that a safe job is more important than higher wages for a majority of the population. Under these circumstances, wage increases are likely to end up at about 3 per cent in 1995, so the recovery will not be jeopardised by a "push" on the cost side.

On the monetary front, the present level of long-term German interest rates – despite the nearly 2 percentage point rise in 1994 – does not as yet endanger the recovery. Current bond market rates are lower than the average of the past 20 years. Additionally, large companies, in particular, emphasise that interest rates are certainly not the only determining factor for their investments.

Among other important factors in investment decisions, business would like taxes to be lower. Taxes and social security contributions will reach a new peak at 45 per cent of GDP in 1995. To reduce this proportion, cuts in public spending are urgently required. It would be wrong to achieve the reduction by a renewed rise in public deficits, since in this case the finance ministry would probably be penalised by higher interest rates on its bonds.

However, there are some rays of hope for interest rates in 1995. One is the anticipated cut in the public sector borrowing requirement from DM165bn (£67bn) to about DM100bn. Another is a likely further drop in inflation. In the past few months, price rises have levelled off in wage-intensive services as well as in rents. The average inflation rate in Germany will probably be about 2 per cent in 1995.

Lower public deficits, lower inflation rates and reduced monetary growth are necessary but not sufficient preconditions for a further easing of monetary policy by the Bundesbank: growth also has to slow down. In other words, hopes for another cut in interest rates fade with every statistic showing that recovery is gaining momentum.

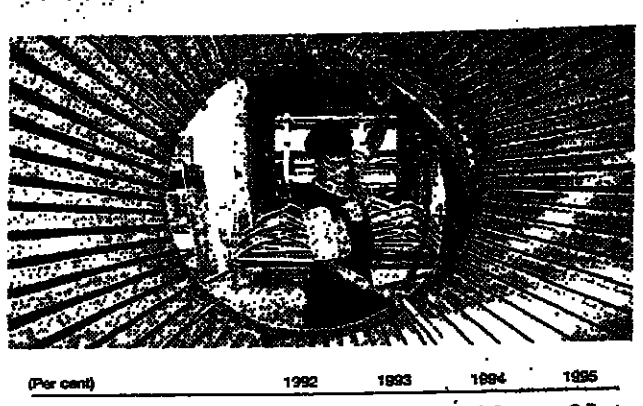
My forecast of a 3 per cent growth rate for west Germany in 1995 thus appears to offer little hope for falling Bundesbank interest rates. However, actual and expected growth for 1994 and 1995 is not really that strong. Although the figures by far exceed the forecasts made in 1993, they are not particularly high compared with previous German phases of recovery from recession.

One reason why the Bundesbank is unlikely to raise interest rates soon concerns the European exchange rate mechanism. An early tightening of credit in Germany could have an unsettling effect on the French franc in view of the uncertainties of the presidential election in France.

All in all, I foresee another year of moderate, not spectacular, growth. Since growth in the east will again be much higher than in the west of the country, we will see a further gradual reduction of the economic disparities between east and west Germany.

The author is chief economist at BHF-Bank

Germany: favourable outlook



(Per cent)	1992	1993	1994	1995
GDP growth	2.2	–1.1	3.0	3.5
Consumer price inflation (West Germany)	4.0	4.2	3.0	2.0
Unemployment rate	7.7	8.8	9.8	9.7
Current account (DMbn)	–34.4	–33.2	–45.0	–25.0

Source: BHF-Bank · Forecasts

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Market test for a Labour government

From Professor Willem H Buiter.

Sir, Recent events in Mexico are a reminder of the extreme fragility of financial market confidence and of the ability of foreign exchange markets to bury policymakers. The crisis happened despite the fact that the recent "change of government" was, following a 70-year-old Mexican tradition, no more than a cabinet reshuffle. Same party, same priorities, similar technocratic orientation, similar policies, some new faces.

There is a lesson here for the Labour party which, unless pigs fly (and vote Conservative), will form the next UK government. No matter how different the new Labour faces are from the ones that brought us the Winter of Discontent, no matter how eloquent (and sincere) the rhetoric and practice concerning fiscal responsibility, monetary restraint and exchange rate discipline, there is bound to be a period, possibly protracted, during which a new Labour government will be tested by the financial markets.

Two courses of action are open to minimise the risk of early disaster. The first is to legislate, immediately, Bundesbank-style independence for the Bank of England. There has recently been, in the usual piecemeal, bumbling British fashion, some small increase in the substantive independence of the Bank of England, but it is very much tied to personalities and not backed by any form of legislation.

The second is the immediate and irrevocable surrender of British monetary sovereignty to a supranational body, that is, Britain joining the European Monetary Union and turning the Bank of England into the London branch office of a European Central Bank which is itself endowed with Bundesbank-style independence.

Provided Britain joins the right party, this second option is probably the better one.

Since it is likely that the next Labour government will come into office before the Emu circus hits town, a firm commitment to Bank of England independence is the only feasible option.

It should be noted that there is no *substantive* central bank independence unless the central bank is free to set and pursue its own exchange rate targets.

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Better take middle line

From Mr James Skinner.

Sir, Your editorial was right to point out that attention to the "bottom line" is not enough ("A business resolution", January 2). I would maintain, however, that the bottom line is a better measure of a company's short-term sustainability than of the value it adds to the economy – its profits may well be due to its success in getting the community to meet a large part of its costs, as in intensive farming.

It is the middle line, summarising the cost of inputs, which is most relevent to competitiveness and to the overall health of the economy. Attention is currently focused almost exclusively on cutting the costs of renewable inputs by reducing the labour force.

It might be wiser to concentrate more attention on cutting the costs of non-renewable inputs, such as energy and raw materials. This is best done by introducing new technology to improve efficiency in recycling, pollution reduction and conservation of resources.

An obvious example is the electricity industry, where surplus funds could be better directed at increasing the efficiency of both consumers and generators rather than lavishing rewards on directors and shareholders.

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Hurd did not mislead the Commons

From Baroness Chalker.

Sir, The article by your political correspondent, "Hurd accused of lying about aid payments" (January 2), misreports the aid and trade provision in the wake of the Pergau project. Your readers deserve the facts. There is no question of the foreign secretary having misled the House of Commons, or anyone else, about this issue.

The four projects mentioned in the article were all approved and formal offers of aid and trade provision (ATP) made to the governments concerned prior to October 1992 – well before the June 1993 announcement of the change in ATP policy. Normal contractual and commercial negotiations were then under way and, not unusually, took many months to complete before the formal exchanges between governments could be concluded: that is why those formal exchanges post-date the June 1993 announcement.

In addition to these four projects there was a number of so-called transitional projects which were exceptionally agreed for consideration for ATP funding following the 1993 announcement. These exceptions were detailed to Parliament in June 1993 and February 1994 by me and by my colleague, Mark Lennox-Boyd. Of the projects in this category only one – a water supply project in Thailand – remains under consideration and is still under appraisal by the Overseas Development Administration.

The article also referred to the gross national product per capita $700 limit (based on 1989 prices). This is not set internationally, but by the government following our wide-ranging review of the ATP. So no international or domestic policy was breached by support for the projects mentioned. Nor do any of the projects raise issues of legality under the Overseas Development and Co-operation Act.

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Pope John Paul – a voice of principle

From Mr Adrian Day.

Sir, I was shocked by your snide attack on Pope John Paul, in your Christmas edition of all things ("Twilight crusade of an obdurate Pope", December 24/25). One may choose to disagree with many of his positions and debate his impact on the Church. But the mean-spirited and one-sided nature of your article was uncalled for.

So the Pope's figure is "increasingly stooped". In my book, he looks remarkably agile for a man of 74.

My gosh, the Pope is "uncompromising in his views on abortion". On such an issue, a little intransigence is appropriate. And the Pope has "absolute views on dogma". Surely dogma ("an absolute truth"), by its nature, cannot be flexible and relative.

Oh dear, the Pope "refused to endorse Marxist liberation theology". Surely we do not expect the head of the Catholic Church to be a Marxist, do we?

You call Pope John Paul "obstinate, absolutist and obdurate", yet in a world of religious decline and decay, reflecting the wider world of moral relativism, a strong voice of principle is precisely what is called for.

Jesus Christ, too, was somewhat uncompromising.

The central theme of your article that requires refutation is that the Pope's alleged conservative attitude has led to a decline in the Church. On the contrary, many would argue that the Church's easing of standards and compromise with the world during the 1960s and 1970s is what led to declines in the priesthood and churchgoing. The period of John Paul's papacy has coincided with a renewal in many areas.

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Wednesday January 4 1995

No peace for the timid

It should not need re-stating, but the foundation of any just and durable Middle East settlement must be the return by Israel of occupied Arab land in exchange for the establishment of full and comprehensive peace, with all that implies. That proposition is the basis of all relevant UN Security Council resolutions, and has the support of virtually the entire international community. It was also the starting point of the 1991 Madrid peace conference, from which the subsequent agreements between Israel, the Palestine Liberation Organisation and Jordan have flowed.

In practical terms, it means that sooner or later, Israel must withdraw from the rest of the Gaza Strip, the West Bank, the Golan Heights and southern Lebanon. Without such withdrawal there will not be a peace which will attract majority support among Arab populations. As the occupying power, Israel inevitably bears the brunt of these obligations. Given the history of the past 40 years, it is understandably cautious about implementing them.

It is tempting for Israeli leaders to believe that there is an alternative. Indeed, members of the opposition Likud party will campaign at the next election, due in 1996, on a platform which asserts that the Arabs can have peace, but only on the terms laid down by Israel. Those terms would leave Israeli soldiers on large swathes of Arab territory, and the region in continuing turmoil. Mr Yitzhak Rabin, the Labour prime minister, is more realistic in his assessment of what is required to win a lasting peace, but remains deeply reluctant to put his views to the domestic political test. This hesitation is contributing to the growing perception that the peace process is close to collapse.

Tense situation

Events of the past few days have further highlighted the dangers. The clash with Israeli troops on Monday which left three Palestinian policemen dead worsened an already tense situation. It will be fruitfully employed by Hamas, the radical Islamic group, to whip up suppport in Gaza and the West Bank.

Even more threatening to the peace process has been the continuing row over Israel's policy of expanding Jewish settlements in the occupied territories. Although the government has ordered a halt to construction work at one site on the West Bank, it has approved a new housing project near Bethlehem. Little could be better calculated to cast doubts on Israel's long-term willingness to withdraw from the territory, while simultaneously undermining the already waning authority of Mr Yassir Arafat, the PLO chairman.

Insensitivity

Building new Jewish homes on Arab territory at such a delicate moment in the peace process suggests at best an alarming degree of insensitivity, at worst a determination to strengthen Israel's grip on land which it intends never to relinquish. It is the latter interpretation which will be most readily believed by many Palestinians, and Mr Arafat has few arguments to counter it.

Meanwhile the negotiations designed to fulfill the next stage of the peace process, whereby Israel is supposed to withdraw from much of the West Bank in order for Palestinian elections to be held, appear to be making very little progress. Mr Rabin wants to tie the troop withdrawal from the main Arab population centres to clear evidence that Mr Arafat's policemen can guarantee the security of Israeli citizens. But with almost every day that passes, the disillusion among many Palestinians, and the radicalisation of others, makes that more difficult to achieve.

It was always obvious that the speed of implementation would be critical to the success of the outline peace accord. The mass of Palestinians had to see early economic and political benefits, which would in turn help to cut the ground from under Hamas and other radical groups. The reverse has happened. And while Israel and Jordan have made peace, there is still nothing substantive to record in the negotiations involving Syria and Lebanon.

In short, the Middle East peace process urgently needs an injection of leadership and vision to restore momentum and fend off the risk of collapse. The three latest recipients of the Nobel peace prize have a great deal more to do before they can be confident that history will validate their award.

Managing the managers

Saatchi & Saatchi, the advertising group, has always prided itself on being a trendsetter. Now it can claim to be in the forefront of another fashion, with the departure of Mr Maurice Saatchi, the chairman and one of its founders, who was forced out by dissatisfied US shareholders.

The exercise of shareholder muscle has been growing in the US. In the past few years, shareholder pressure has brought the resignations of the chief executives of IBM, American Express, Westinghouse and General Motors. The question is whether the trend will continue, and whether it will cross the Atlantic.

When activism began to surface, at the end of the 1970s, the first target was the structures of corporate governance. Shareholders urged companies to appoint external directors and create audit committees. More recently, concern has focussed on company performance. The Saatchi episode straddles the two: shareholders complained both about Mr Saatchi's proposed remuneration, and about the group's record.

Shareholders have always had two routes to express their views: to get out, or speak up. In Anglo-Saxon countries, they have traditionally taken the former route, and sold the shares. There are several theories why they may now want to make themselves heard.

One is that activism has been stimulated by recession, which has exposed some of the management follies of the 1980s. Another is that recent activism also reflects the shortage of bank credit in the past few years, which has curbed takeover activity.

More accountable

On this theory, shareholders of undervalued assets have not been able to rely on takeovers to give them an exit at an acceptable price; instead they have tried to improve financial performance by making managers more accountable. This argument has particular weight for "people businesses" such as Saatchi; banks are loathe to lend to hostile predators given that the executives and accounts can depart quickly.

Given that banks are now flush again, and are expected to back a new wave of takeovers, will activism die down again? Probably not. Distinct from the takeover cycle, there are longer-term trends that may boost shareholders' aggression.

For a start, the proportion of shares held by institutions has been rising steadily since the 1970s both in the US and the UK, giving them more influence. At the same time, the role of "index" funds, which track particular stock market indices, is increasing. Arguably, such funds are more reluctant to sell shares in poor companies for fear of distorting their portfolios. Meanwhile, US funds are increasing investment abroad, and may export techniques of exerting pressure.

Independence

Such factors should not be overstated. Activism is likely to be limited to those institutions which are independent of individual company pension schemes such as Calpers, the California public sector employees scheme, and the UK's Mercury Asset Management. Managers of company pension schemes, themselves sometimes appointed by the company's executives, are generally less likely to rock the boat.

It is not yet clear whether institutional intervention improves financial and share price performance. There are some legitimate concerns about the practice. For example, it would be undesirable for shareholders to try to influence small details of management. There are few cases in which investors can claim that it is worthwhile to familiarise themselves with the company to the extent where they can best judge those issues.

But in general, the increase of activism, particularly where directed at directors' appointments, is to be welcomed. It would not hurt, too, if shareholders treated the appointment of non-executives more robustly: many complaints about performance and remuneration would not arise if non-executives carried out their task more thoroughly.

The Saatchi case is a reminder that the interests of shareholders and managers frequently conflict. When such disputes arise, it does no harm for managers to be told that they are employed to maximise shareholder value, and that if they fail, they can be forced to go.

One voice for the tower of Babel

Lionel Barber outlines the challenges facing Jacques Santer and his new team of European commissioners

Jacques Santer (centre), new president of the European Commission, with, to his left, newcomers Ritt Bjerregaard (top) and Anita Gradin; and, on the right, old hands Hans Van den Broek (top) and Martin Bangemann

Europe is about to catch a glimpse of life after Mr Jacques Delors. In Brussels today, the European Parliament will open hearings on the new European Commission which is due to take office on January 26.

The public sessions are the first of their kind. Each of the 20 proposed commissioners will have a chance to strut his or her stuff in front of the television cameras, as MEPs question them prior to a vote confirming their appointments.

The process will culminate on January 17 in an inaugural speech by Mr Jacques Santer, the safe – if uninspiring – choice to succeed Mr Jacques Delors as president of the European Union's executive body.

The process does not quite match the impact of a US Senate confirmation hearing. The European Parliament can register its disapproval only by voting down the whole Commission rather than individual nominees, an unlikely outcome. Yet subjecting itself to the scrutiny of the Union's parliament will have strengthened the Commission's legitimacy, which continues to be a target for member states that portray it as a haven for anonymous, power-hungry bureaucrats.

Mr Santer believes that such criticism ought to be harder to justify in future. The new Commission – expanded by three posts following the accession of Austria, Finland and Sweden into the European Union on January 1 – is much more political and less technocratic than its predecessors.

Among its most striking features is the presence of five women commissioners, up from one in the outgoing Delors Commission. There is also a slim Social Democratic majority on the Commission (though Mr Santer is himself a Christian Democrat). And there will be an influx of street-smart politicians such as Mr Neil Kinnock, the former UK Labour party leader who will handle the transport brief, Mrs Ritt Bjerregaard, the Danish firebrand who takes charge of environment, and Mrs Edith Cresson, the former French prime minister who will take over the cash-rich research and training portfolio.

These newcomers join some heavyweights from the previous Commission. The UK's Sir Leon Brittan retains control of the multilateral trade dossier. Mr Martin Bangemann, a German commissioner, will take charge of telecommunications and matters relating to the new information society. Mr Karel Van Miert of Belgium retains control of competition policy, where he has pursued a pragmatic approach to reducing state aid to industry. And Mr Padraig Flynn, the Irishman, will continue with social policy, one of the most sensitive dossiers with divisions between the UK and other member states.

Officials in Brussels are predicting that the expanded Commission – a powerful combination of oversized egos and genuine talent – could turn out to be unmanageable. An informal understanding reached late last year would allow each commissioner to appoint a spokesperson – a development that could turn Brussels into a tower of Babel. Much depends on whether Mr Santer, known in his native Luxembourg as the "man who never says no", gets a grip on the Commission early in his five-year term.

As incoming president, Mr Santer inherits an organisation suffering from low morale and with a mission that needs rethinking. His challenge is both political and institutional.

Politically, he must preserve the Commission's role as umpire, power-broker and political catalyst. He must also help the new member states to adjust to life inside the EU, and absorb their appointments into the Brussels civil service.

Institutionally, he needs to build relationships with the increasingly assertive European Parliament (symbolised by this week's quasi-confirmation hearings of commissioners), and with a Council of Ministers in which majority sentiment among EU member states leans toward cutting the Commission down to size.

Between 1985 and 1989, Mr Delors reconciled these conflicting demands brilliantly. His grand design for a single European market, the creation of the European Economic Area to encompass states not yet ready for full EU membership, and the plans for economic and monetary union made him Mr Europe in the public mind.

Yet Mr Delors' legacy was double-edged: his latter years coincided with a polarisation of public opinion as Euro-disenchantment began to grow in several countries. By his own admission, he may have over-reached himself in his ambitions for accelerating European integration, one reason for his decision last month not to enter the race for the presidency of France.

Mr Santer is a different individual, personally and politically. Prime minister of Luxembourg for the past 10 years, he never sought the post of Commission president. His elevation to power came unexpectedly last summer after the UK vetoed the candidacy of Mr Jean-Luc Dehaene, the Belgian premier.

Politically, Mr Santer's core philosophy can be summed up in one word: consolidation. He believes that the EU must complete its existing programme of establishing the new Union, before engaging in great leaps forward.

Aware of how divided member states of the EU are over the direction of integration, Mr Santer's priority is to make the 1991 Maastricht treaty work – specifically the plans to create a European economic and monetary union (Emu) by the end of the decade, and the commitment to build gradually a common European security and foreign policy.

The organisation of the new Commission and the distribution of portfolios reflects these twin objectives. Mr Santer has deliberately taken final responsibility for the Commission's role in the preparations for Emu and the creation of a common foreign and security policy.

He will also play the lead role in co-ordinating the Commission's submissions to the 1996 inter-governmental conference to review the Maastricht treaty – an important task, with the probable entry into the EU of the former communist countries of central and eastern Europe, perhaps around the turn of the century.

Without a greater degree of centralisation and co-ordination, the new, expanded Commission risks becoming even more unwieldy than it already is. As president-elect, Mr Santer has introduced a second reform: the ending of artificial barriers between economic and political affairs in external relations. In

Santer believes the EU must complete its existing programme, before engaging in great leaps forward

future, responsibilities will be defined on geographical lines, allowing a more integrated approach to policymaking. He also hopes that it will end the turf battles of the last two-year Delors Commission – for example, between Sir Leon Brittan and Mr Hans Van den Broek over the division of responsibilities in external affairs.

The big winner is Mr Van den Broek, the former Dutch foreign minister, whose expanded responsibilities in external political affairs includes the prize portfolio of central and eastern Europe, including Russia, while also steering the common security and foreign policy on a daily basis.

Sir Leon Brittan also hankered after the high-profile eastern European portfolio. He has been compensated amply, however, by adding to his trade portfolio responsibility for economic and political relations with the US, China, Japan and the advanced Asian economies. Mr Manuel Marin, the Spaniard who has served in a variety of posts at Brussels since 1985, will continue to handle relations with the Mediterranean and Latin America. But he has given up Africa, the Caribbean and the Pacific developing countries to Mr João de Deus de Pinheiro, the former Portuguese foreign minister.

Elsewhere, Mr Santer – aided by his energetic new chief of staff, Mr Jim Cloos – has displayed some subtle touches in making his appointments. There is an unmistakable appeal to the ecologically conscious Scandinavians in the appointment of Mrs Bjerregaard to handle nuclear safety in eastern Europe as well as environment. Women voters in the Nordic countries will also be delighted that Mrs Anita Gradin, the former Swedish foreign trade minister, has won the increasingly important judicial and immigration portfolio.

Mr Santer has also been careful to assuage French fears that the departure of Mr Delors would lead to a decline of French influence in Brussels. Mr Yves-Thibault de Silguy, a technocrat and former adviser to Prime Minister Edouard Balladur, takes over the economic directorate that controls the process of preparing for Emu, perhaps the most important French policy goal in Europe.

Mr Mario Monti, the distinguished Italian economics professor, coveted the Emu portfolio, but he has been given responsibility for the single market, including fiscal policy and capital movements. This portfolio badly needs a relaunch in order to ensure that single market legislation in member states is implemented on the ground.

Another sensitive portfolio will be agriculture, where Mr Franz Fischler, the little-known Austrian commissioner, faces the unenviable task of laying the ground for future reforms of the Common Agricultural Policy. These changes look inevitable, if only because of the need to prepare for the admission of the central and eastern European states with farm-intensive economies, which would bankrupt the CAP budget unless the subsidy-driven approach changed. Mr Fischler will prepare a discussion paper on the options for publication later this year to launch a debate on CAP reform.

Mr Santer's plan is to produce unity out of this diversity of individuals by developing *ad hoc* groups of commissioners to deal with specific policy areas. Thus Mr Marcelino Oreja, the Spanish commissioner who is an expert in institutional affairs, will assist the president in preparation for 1996, along with Mr de Silguy and possibly others.

Another aim of the new commission will be to introduce tougher controls on EU spending and fraud detection. Mr Santer, a former finance minister, believes that public confidence in the Union cannot be restored until people are confident that the Ecu70bn annual EU budget is being spent prudently. In this respect, Mrs Gradin, the commissioner with responsibility for judicial matters, is expected to work closely with Mr Erkii Liikanen, the promising young Finnish commissioner who will handle the budget.

The risk in Mr Santer's search for better policy co-ordination through what could be effectively sub-committees of commissioners is that it could create factions within the Commission, undermining the principle that all commissioners have an equal right to influence decision-making. Such a development would test the authority of the president in managing the Commission.

The broader challenge for Mr Santer is to ensure that his fellow commissioners digest the lesson of the Delors era: that most member states are uncomfortable with an overactive legislative programme and with the idea of the Commission as federal government in waiting in Brussels. Countries such as the UK and France are particularly resistant to the prospect of the Commission developing a foreign policymaking function, and will resist such efforts in the 1996 conference.

Yet Mr Santer also knows that there are risks in allowing the Commission to be driven back into a defence of its traditional tasks: principally conducting trade negotiations, managing the Common Agricultural Policy, dispensing regional assistance and enforcing the 1957 Treaty of Rome in areas such as competition and state aid.

A senior Eurocrat points out that Mr Delors' great skill was to use the Commission to produce and synthesise big ideas and to persuade member states that it was in their national interests – and a wider "European" interest – to pursue them. This was true of the single market programme; but it was also true of Mr Delors' 1993 white paper on employment, competitiveness and growth.

Mr Santer retorts that there is no real need for big ideas: there are plenty already on the table.

In the sense that the European Union's immediate challenge is to live up to earlier promises, he is right. But the prospective enlargement of the Union to eastern Europe raises fundamental questions about the pace and shape of European integration, as well as core EU policies such as the CAP. These include how to organise a Union of more than 25 members, the exercise of national vetoes, and the voting system in the Council of Ministers that is currently weighted in favour of smaller states.

The compromise-minded Mr Santer knows that these issues will not disappear. Even if the current mood among member states is to wish them away, they are more likely to dominate his five years in office.

OBSERVER

Picture of survival

■ John Ashcroft certainly gets full marks for tenacity. The 1960s managerial meteor saw his Coloroll group crash to earth five years ago. He then tried to make a go of Survival Aids, the mountaineering and outdoor equipment business. That too was blown away, by the recession.

Having been so badly burnt by practice, Ashcroft turned to theory: he's imminently submitting his PhD thesis to Manchester Metropolitan university's economics department.

At a dinner party after the Coloroll disaster, Ashcroft confided to Sir Kenneth Green, the university's vice-chancellor, that he might enjoy doing some research. Next day he heard from the economics department.

Ashcroft's doctorate analyses how the government cyclically adjusted the UK's balance of payment figures in the 1980s, hiding deficits early in the decade until the monster could be controlled no longer by 1988-89. "It's horrific," says Ashcroft.

Ashcroft has used his research to spin off a new product – a wordless, economic picture book. Every quarter he produces a set of graphics of current economic trends, compiled from every set of economic statistics published in the UK. He has also developed an "overheating" index, to set off alarm bells. Which just might have come in handy in his Coloroll days.

In 1994 friends and contacts got the picture book free. This year he's charging £145 to defray the £10,000 annual costs. A rush of subscriptions from blue-chip clients suggests Ashcroft might at last have married theory and practice.

Coining it

■ Gold Fields Mineral Services, the consultancy that publishes the authoritative annual gold industry survey, is losing the Midas touch – another shareholder, Newmont Mining, America's biggest gold producer, has dropped out, leaving Gold Fields of South Africa as GFMS's sole shareholder.

The global gold survey was for many years published by Consolidated Gold Fields, the UK group taken over and dismembered by Hanson five years ago. Gold Fields of South Africa and Newmont stepped in to save what is regarded as the industry's bible, joined by Renison Goldfields Consolidated, an Australian company.

Renison dropped out in 1993, thanks again in part to Hanson, which picked up nearly a 50 per cent stake in Renison via the Consolidated Gold Fields takeover. Hanson tightened its grip on Renison's management – which decided to stop backing the survey.

Newmont's withdrawal coincides with the retirement of its chairman, Gordon Parker. Gold Fields of South Africa's chairman, Robin Plumbridge, is also expected to retire shortly, though Stewart Murray, GFMS chief executive, thinks that will not mean diminished backing from the South Africans. Unless Hanson gets to them, perhaps . . .

'Your icicle's shining in my face'

Lords-a-leaping

■ Fancy becoming Lord of the Manor? Lloyd's losses and other financial vicissitudes have contributed to a brisk trade in such titles. Last year, for instance, a Bangladeshi curry house proprietor paid a mere £5,500 to become Lord of Harpole.

But aspiring British nobility cannot be too careful. Take the ad in the Christmas issue of the Far Eastern Economic Review: "British Lordship for Quick Sale at a price of £18,800 or nearest offer." And more than twice as expensive as all but the most recherché Lordships. "The purchaser of this title will be the 8th Lord." Distinctly odd for a title that goes back to the Domesday book. "No debts attached." The Manorial Society of Great Britain urges that prospective Lords consult a solicitor to delve into what – if anything at all – is attached to all such offers.

Disunited

■ Yesterday the UK's Transport and General Workers Union packed its bags and left its HQ at Transport House in London's Smith Square, opposite the Conservative party's central office.

It may never return. For the building, on a prime site close to the Palace of Westminster, is to be renovated. So the union – which has its financial worries – has taken a five-year lease, with an option for a further five years, on a block near Victoria Station.

Opened in 1927 by Ernest Bevin, the union's first general secretary, in its heyday Transport House was HQ not just of the union but of the Trades Union Congress and the Labour party.

TGWU leaders used to be able to watch the comings and goings at the Conservative party's nerve-centre. Now they have a panoramic view of the back lawn of Buckingham Palace. From the ridiculous to the sublime.

Daring Davos

■ The World Economic Forum, annually staged in the Swiss alpine resort of Davos, is trying hard to slough off its image as a mutual admiration society for international bigwigs. Last time it contrived a private chat between PLO leader Yassir Arafat and Israeli foreign minister Shimon Peres.

But this month's goes for the big one – the family. The "spouses' programme" offers a workshop on non-violent communication, teaching "a process of communication designed to empower people to resolve differences compassionately". Didn't realise the domestic life of global leaders was that unblissful.

Pressing

■ If Angus Duncan, national sales manager of Murray Johnstone fund managers, finds there is a poor turnout at his next venture capital seminar, he has only himself to blame.

His invitation asks clients to "utilise the Freepost envelope enclosed to let us know whether you will, or will not be able to attend. I do hope it is the latter..."

FINANCIAL TIMES
Wednesday January 4 1995

Price of video cassette tapes set to rise this year by 10%

By Alice Rawsthorn

The price of video and audio cassettes is set to rise by over 10 per cent this year, due to steep increases in raw material costs.

The move follows more than a decade of declining prices.

Sony of Japan, one of the largest manufacturers, said it was considering increases of 10-15 per cent.

It expects retail prices to be affected from early spring.

Other manufacturers expected to follow suit include Fuji and TDK of Japan and 3M of the US.

Germany's BASF said it was "watching developments" in most markets, but planned to raise its German prices by up to 15 per cent by April.

A 90-minute blank video cassette, now typically £2.99, could cost up to £3.45 by summer. Similarly the price of a 90-minute audio cassette could rise from £1.99 to £2.30.

The price of pre-recorded cassettes may also increase, but retail price will be affected less because most of the cost lies in copyright or royalty payments.

Cassette manufacturers were told late last year that the cost of the plastic used in tape-making would go up by around 20 per cent in 1995, reflecting the upward trend in chemical prices as the world economy emerged from recession.

Cassettes consist of plastic tape with an oxide coating, inserted in ready-made plastic cases.

Cassette makers also face the strong likelihood of a steep increase in the cost of plastic cases.

China emerged as a cheap source of cases in the 1980s and most manufacturers switched to low cost suppliers there.

Chinese suppliers dominate the market and are using their power to extract higher prices from their customers.

Even before the current raw material price rises, cassette manufacturers were operating at low margins.

Prices have been falling steadily for years. This is partly because manufacturers have exploited economies of scale in production, but is mainly due to the competitive state of the industry.

Sony estimated that a 240-minute video cassette now sold for DM7 ($4.40) against DM35 in 1983.

"We've been cutting costs for years. If plastic prices go up by 10 per cent, we'll have to raise our prices. Otherwise we'll be operating at a loss," one manufacturer said.

Hamas threatens to avenge deaths of Palestinian police

By Eric Silver in Jerusalem

Hamas, the Islamic resistance movement, yesterday vowed to avenge the killing of three Palestinian policemen in a gun battle with Israeli troops on the Israel-Gaza border on Monday night.

Following an emotion-charged funeral attended by about 20,000 Palestinians chanting "Death to Israel" in Gaza yesterday, Hamas said from Damascus: "Our valiant mujahideen [holy warriors] will not let this ugly crime go unpunished. They will take revenge on the criminal Zionists".

Israeli security services are taking the threat seriously. Hamas has carried out a series of suicide missions against Israeli civilian and military targets during the past four months. In the most spectacular, an activist blew himself up on a Tel Aviv bus, killing 22 passengers.

Hamas, which opposes the peace negotiations with Israel, also called for a three-day strike in mourning for the policemen and expressed its regret that Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, had allowed high-level Israeli-Palestinian talks to resume in Cairo yesterday.

Monday night's carnage, the worst clash between Israeli and Palestinian forces since Israel withdrew from the Gaza Strip last summer, was the last thing either side wanted. Both were trying yesterday to limit the damage.

Mr Shimon Peres, Israeli foreign minister, said in Cairo: "I am sorry for the misunderstanding that caused the casualties". Mr Nabil Sha'ath, his Palestinian opposite number, spoke of a double crisis: expanding Israeli settlements on the still-occupied West Bank; and the shooting, but insisted the negotiations must continue.

Despite Mr Peres's talk of a "misunderstanding", the Israeli army stuck to its version of the incident, which took place near the Erez checkpoint, the main crossing between Israel and the Gaza Strip.

A spokesman said soldiers on a routine border patrol came under fire from the Palestinian side and fired back.

The Palestinians disputed this account. Dr Ahmed Tibi, an adviser to Mr Arafat, denied the police fired first. "One of the policemen was shot while sleeping. His body was found in his bed."

One possibility, ventured by the Israelis, is that Palestinian dissidents, perhaps hiding near the police post, fired at the patrol.

A joint committee of Israeli and Palestinian security experts is investigating.

Berlusconi drops his demand for immediate elections

By Robert Graham in Rome

Mr Silvio Berlusconi, Italy's outgoing prime minister, yesterday set new terms for resolving the 13-day-old government crisis.

He dropped his insistence on immediate elections and said a new government could be formed to lead the country to elections at a date fixed in advance.

But Mr Berlusconi did insist that the interim premier come from his Forza Italia movement. The shift in his position emerged after a meeting yesterday of all the partners in his rightwing coalition, except the populist Northern League, which was responsible for bringing his government down on December 22.

The meeting coincided with the start of a second round of consultations to resolve the crisis, amid signs that President Oscar Luigi Scalfaro had acquired room for manoeuvre. This new, but limited, flexibility centres on the timing of fresh elections. Even before yesterday's meeting with Mr Berlusconi, some members of the government had hinted they were no longer seeking immediate elections.

Mr Berlusconi had insisted there was no alternative to snap elections and had proposed March 26, the first anniversary of his electoral triumph. He had also claimed that he alone should head the interim government.

Mr Scalfaro, in contrast, began his consultations before Christmas with the aim of finding a new government with sufficient parliamentary backing to sustain the life of the eight-month-old legislature.

The president believes early elections would paralyse the country for up to five months at a time when vital decisions must be taken about tackling Italy's public finances. He also believes the electoral laws introduced in August 1993 have proved unsatisfactory and need to be redrafted.

In addition, the credibility of elections would be undermined if the possible conflict of interests between Mr Berlusconi's role as a politician and his ownership of the Fininvest media and business empire had not been resolved.

These arguments have now been implicitly recognised by Forza Italia. Mr Cesare Previti, the defence minister and chief co-ordinator of Forza Italia, said on Monday that an interim administration could be headed by Mr Lamberto Dini, the outgoing treasury minister and former number two at the Bank of Italy.

Mr Massimo D'Alema, head of the former communist Party of the Democratic Left and effective head of the opposition, did not rule out an interim government headed by a moderate or technical figure from the outgoing rightwing coalition.

THE LEX COLUMN

The perils of the peso

The Mexican government's handling of the peso's devaluation may have been shambolic, but its ability to assemble a rescue package has proved no more impressive. The excuse for the continual delays may have been the administration's belief it should promise a package on which it could deliver. But the overall impression is that the government is not in control.

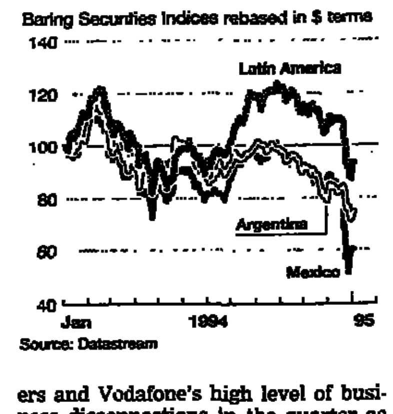
Despite the delays, the package is inadequate. True, the international element, providing $18bn of support should be sufficient to reassure investors in Mexico's short-term dollar denominated debt. But the markets will only recover once the peso regains a semblance of stability. Mexico needs capital inflows to shore up its currency. The government has missed the easiest opportunity to achieve this, through an aggressive acceleration of the privatisation programme. The currency would have received a boost had the government announced the sale of Pemex's petrochemicals operations or the privatisation of the massive electricity generating sector.

Until the currency stabilises, investors will remain incapable of calculating valuations for Mexican companies. Corporate earnings will be knocked by the devaluation – leading to higher charges on dollar denominated debt – and by the slower economic growth caused by government spending cuts. Whether other Latin American markets can decouple from the Mexican misery is doubtful. US investors are being repelled from the region by Mexican instability and attracted to their domestic market by high interest rates. The region's rehabilitation is likely to take time.

FT-SE Index: 3065.7 (+0.2)

Latin America

Baring Securities Indices rebased in $ terms



Source: Datastream

Mobile communications

The UK mobile telecoms industry advanced a step nearer to a mass market over Christmas. After allowing for disconnections, a record 300,000 or so customers were added to Britain's networks in December. That is double the previous record set last November. But it is too early for shareholders to celebrate.

First, almost all the growth occurred among residential customers, who are much less profitable than business customers. Cellnet's residential service accounted for 91 per cent of the net increase in its customers in the last quarter of 1994. For Vodafone, the figure was 96 per cent. The figures can be explained by Cellnet's deliberate policy of targeting residential customers and Vodafone's high level of business disconnections in the quarter as it sought to stamp out fraud. Certainly, there is no suggestion that the business market is saturated. But if business market growth has slowed down, the residential boom will be no compensation.

The second doubt concerns whether the industry's new residential customers can really afford mobile phones. It is one thing to give a Christmas present costing as little as £25; another matter when recipients have to pay high monthly bills. The industry's marketing practices – notably Mercury One 2 One's offer of free worldwide calls on Christmas Day which backfired when customers found the network clogged up – may be attracting unsuitable customers. Many of those who signed up in December could disconnect in the New Year.

New Issues

Given the speed with which the City churned out new issues in the first half of 1994, it is perhaps surprising that there were not more disasters. Profit warnings became a relatively common accompaniment to post-flotation trading. As the number of listing mandates grew, brokers had less time to judge the quality.

The marginal outperformance by new issues last year can therefore be considered creditable. Smaller companies generally carry higher risk and disasters were inevitable. The problem was exacerbated by opportunistic offers to a market which had appeared willing to take anything.

The outlook for 1995 appears more auspicious for both issuers and buyers. Attention will be grabbed by the government offer of 40 per cent of National Power and PowerGen. This should not affect demand for smaller flotations but issuers will have to face a more discerning market. Speculative offerings will be weeded out, and venture capitalists will look increasingly to trade sales after the frustration of cancelled flotations. This should improve sentiment among investors overwhelmed by last year's quantity of new paper. Further encouragement should come from the fact that small company share prices fell only half as far as the market in general last year. Smaller companies have tended to outperform outside recessions. This fact should ensure selective support in a quieter new issues market.

Jardine Matheson

The Jardine Matheson group has won few friends from its decision not to accept the Hong Kong stock market regulatory regime. The shares have substantially underperformed since Jardine launched its campaign to operate under London rules in November 1990. Business has also been hurt. China is blocking a licence to develop Hong Kong's next container terminal, due to Jardine's so-called traitorous campaign.

The problem is that, while Jardine has underlined the potential difficulties of life under Chinese rule, 60 per cent of profits still come from Hong Kong and China. Poor relations with Beijing mean it missed the wave of hot money when China became a fad in 1993. Yet its shares still suffered when enthusiasm waned last year.

Jardine is confident that Beijing will soon overlook a blip in a centuries-old relationship. But the benefits from last week's delisting from Hong Kong remain unclear. Jardine's assets form part of the colony's skyline, so it remains subject to any Chinese dramas. And brokers' expectations of a rerating to reflect its Singapore listing are curious. The 80 per cent of Jardine's beneficial shareholders already outside Hong Kong will hardly view the stock differently.

Trafalgar House's bid for Northern Electric represents only a marginal westward shift in the balance of Jardine assets. Jardine Matheson shares may have ignored Monday's Hong Kong stock market collapse, but this reflected lack of trading in Singapore. Jardine remains embedded in Hong Kong and delisting has achieved little more than a loss of goodwill.

Russians resume assault on Grozny

Continued from Page 1

sia but there is growing criticism of the seemingly indiscriminate bombardment of civilians. Mr Anthony Lake, the US national security adviser, said: "It is a question of how they [the Russians] use force rather than whether they use force."

Mr Klaus Kinkel, the German foreign minister, yesterday repeated criticisms of the level of force employed by the Russians. "There is no doubt that they exceeded what was proportionate," he said.

Pressure is building on western governments to take a more robust line with Moscow. Mr Kinkel came under fire for not speaking out more forcefully. A spokesman for the opposition Social Democratic party official said the German government "should demand the Russian leadership halt the fighting and resolve the conflict over Chechnya's autonomy through negotiations, as it successfully did with Tartarstan and other Russian republics".

The Russian authorities last night accused the Chechen fighters of using chemical weapons and said they had captured more than 30 foreign mercenaries from Afghanistan and Jordan. They also accused Ukrainian "ultra-nationalists" of becoming involved.

Chemical

Continued from Page 1

ther marred most big US bank's results, which are due to be reported within the next two weeks.

About three-quarters of Mexico's peso-denominated short-term debt instruments are thought to be owned by foreigners, with the bulk held by US institutions. US banks are heavy traders in Mexican securities.

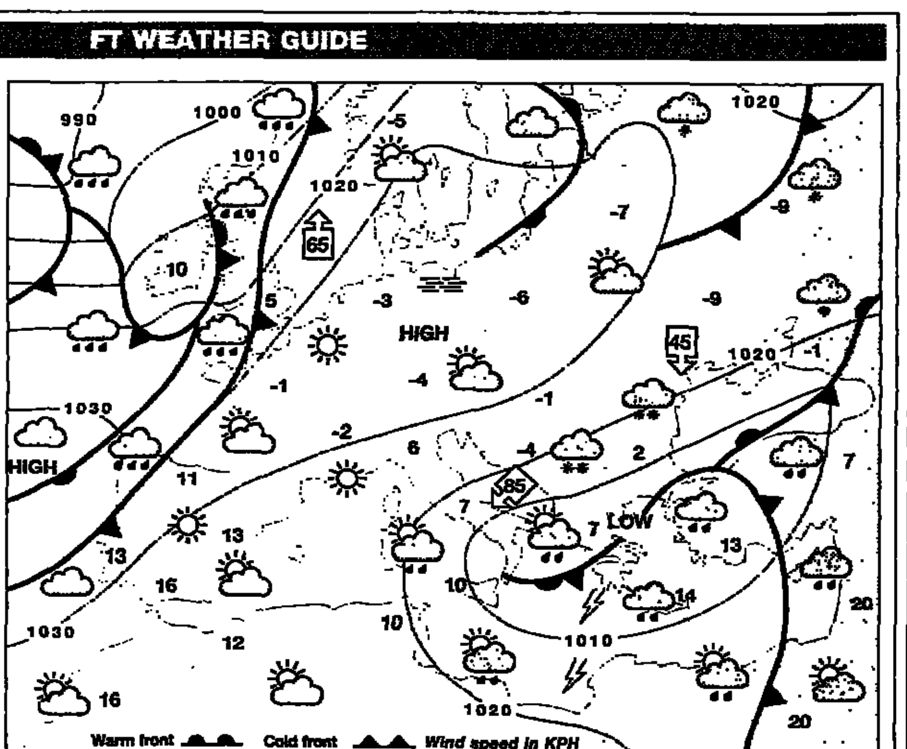
FT WEATHER GUIDE

Europe today

A frontal zone will move slowly into the British Isles, producing periods of rain in the UK. East of the zone, the North Sea will have a southerly gale. The rain belt associated with the front will give rain in western France and north-west Spain. It will be sunny from Scandinavia to Spain, but temperatures will be unseasonably low. Very cold air will be drawn into eastern Europe and Italy between a high pressure system over Poland and low pressure over Italy and Greece. A storm is expected on the coast of the former Yugoslavia. The eastern Mediterranean will be unsettled with outbreaks of rain.

Five-day forecast

The frontal zone over the British Isles will stall over the Low Countries and western France. Rather moist air with outbreaks of rain over the UK will not reach Central Europe. Cold air will gather over central and eastern Europe with temperatures mainly below freezing and mostly clear skies. South-east Europe will continue unsettled with widespread rain in the south and snow in the north.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	2	Caracas	fair	29	Faro	fair	16	Madrid	sun	9	Rangoon	sun	32
	Celsius		Belfast	rain	8	Cardiff	rain	8	Frankfurt	fair	-4	Majorca	fair	12	Reykjavik	snow	1
Abu Dhabi	sun	24	Belgrade	snow	-5	Casablanca	sun	15	Geneva	fair	-4	Malta	shower	10	Rio	shower	28
Accra	sun	33	Berlin	fair	-4	Chicago	fair	-13	Gibraltar	fair	15	Manchester	rain	6	Rome	cloudy	8
Algiers	fair	12	Bermuda	fair	22	Cologne	fair	-3	Glasgow	rain	6	Manila	cloudy	30	S. Frsco	rain	11
Amsterdam	sun	-1	Bogota	fair	21	Dakar	sun	26	Hamburg	sun	-4	Melbourne	shower	30	Seoul	fair	-1
Athens	rain	12	Bombay	fair	31	Dallas	cloudy	3	Helsinki	cloudy	-2	Mexico City	cloudy	20	Singapore	cloudy	31
Atlanta	fair	6	Brussels	fair	-2	Delhi	sun	20	Hong Kong	sun	15	Miami	sun	25	Stockholm	fair	-2
B. Aires	cloudy	29	Budapest	fair	-1	Dubai	fair	25	Honolulu	fair	28	Milan	fair	5	Strasbourg	fair	-2
B.ham	cloudy	5	C.hagen	fair	-1	Dublin	rain	10	Istanbul	rain	11	Montreal	snow	-10	Sydney	fair	26
Bangkok	fair	34	Cairo	sun	20	Dubrovnik	cloudy	6	Jakarta	thund	30	Moscow	cloudy	-7	Tangier	sun	15
Barcelona	fair	10	Cape Town	sun	29	Edinburgh	rain	6	Jersey	cloudy	5	Munich	cloudy	-4	Tel Aviv	fair	21
									Karachi	sun	26	Nairobi	shower	26	Tokyo	fair	12
									Kuwait	fair	20	Naples	cloudy	8	Toronto	snow	-18
									L. Angeles	fair	17	Nassau	fair	26	Vancouver	fair	8
									Las Palmas	fair	20	New York	fair	-2	Venice	fair	7
									Lima	cloudy	27	Nice	sun	10	Vienna	cloudy	-2
									Lisbon	fair	13	Nicosia	fair	18	Warsaw	fair	-6
									London	cloudy	5	Oslo	fair	-5	Washington	snow	-1
									Lux.bourg	fair	-4	Paris	fair	-1	Wellington	fair	17
									Lyon	fair	-3	Perth	fair	33	Winnipeg	fair	-6
									Madeira	sun	19	Prague	fair	-5	Zurich	fair	-5

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday January 4 1995

IN BRIEF

Fight for Rolo heightens

The fight for control of Credito Romagnolo (Rolo), one of Italy's strongest regional banks, yesterday entered what is probably its final phase, when a consortium led by Cariplo, the Milan savings bank, formally launched a counterbid. Page 14

Peregrine goes for Chinese connections
Peregrine Investments, the Hong Kong merchant bank run by Mr Philip Tose, has appointed two leading figures with good Chinese connections as directors. Page 14

Telefónica close to deal on S America
Telefónica, Spain's government-controlled telecommunications group, is reported to be close to an agreement with GTE, the US operator, to develop its growing business in Latin America. Page 14

Maytag to sell Australasian Hoover unit
Maytag, the US domestic appliance manufacturer, is to sell its Hoover operations in Australasia to Southcorp, the Adelaide-based group whose interests range from wine and packaging to heaters and dishwashers. Maytag originally talked of floating the operations on the stock market. Page 14

Zeneca sells off garden products
Zeneca, the bioscience and agrochemicals company, has announced the sale of its garden and professional products division for £37m ($58m). Page 17

Record spending spree for UK companies
UK companies spent a record £6.01bn ($9.4bn) on acquisitions in mainland Europe in 1994 and investment bankers said the flow was gathering pace. In the US they spent $14.6bn on acquisitions. Page 17

Bourse falls on trade war fears

Source: FT Graphite

The Hong Kong market fell 4.2 per cent because of fears of a Sino-US trade war and worries about a US interest rate rise later this month. The Hang Seng Index dropped 346.90 to 7,844.14, its biggest single day fall since November 23. There were no gainers among the blue-chips, and property stocks were hard hit. Back Page

FT publishes new indices

The Financial Times today begins publication of three new FT-SE Actuaries indices covering the UK equity market. One of them, the Fledgling Index, tracks the performance of very small British companies. The other two involve the sub-division of the existing FT-SE A 350 Index into higher and lower yielding groups.

The Fledgling Index includes 800 companies too small to be included in the FT-SE A All-Share Index, the main benchmark for assessing UK portfolio performance, and covers roughly the bottom 1.8 per cent of UK stock market capitalisation. It is calculated both cum and ex investment trusts.

The new yield indices each represent 50 per cent of the FT-SE A 350 Index by value. The Higher Yield Index comprises stocks with a dividend yield above the average yield of the 350 Index, while the Lower Yield Index is made up of stocks with a dividend yield below the average.

The new indices are calculated daily after close of London Stock Exchange business and published in the following day's FT. Page 19

Companies in this issue

AT&T Capital	15	Kvaerner	4
Aberdeen Trust	17	Lion City	14
Adscene	17	M.S. McLeod	14
Alcatel-SEL	14	MGM Grand	15
Avon Rubber	7	MMI	17
Bell Canada	5	Maytag	14
British Telecom	5	News International	7
Cable & Wireless	5	Peregrine Investmnts	14
Canfor	15	Really Useful	17
Cariplo	14	Rolls-Royce	7
Century Life	17	SGS-Thomson Micro.	14
Chrysler	15	Saatchi & Saatchi	17, 1
Credito Italiano	14	Scandia	14
Credito Romagnolo	14	Slocan	15
Elan	17	Southcorp	14
GTE	14	Stanhope	17
Glaxo	7	Sumit	17
Hodder Headline	17	Telefónica	14
Hoogovens	15	Torex Hire	17
ICL	17	Toys R Us	15
Jersey Electricity	17	Tracinda	15
Kellogg	17	Ugland Intl	17
Kobe Aluminium	15	VAW	15
		Zeneca	17

Market Statistics

♣Annual reports service	20-21	Foreign exchange	24
Benchmark Govt bonds	16	Gilts prices	16
Bond futures and options	16	Liffe equity options	19
Bond prices and yields	16	London share service	20-21
Commodities prices	18	London trad options	19
Dividends announced, UK	17	Managed funds service	22-23
EMS currency rates	24	Money markets	24
Eurobond prices	16	New Intl bond issues	16
Fixed interest indices	16	New York share service	26-27
FT-A World Indices	Back Page	Recent issues, UK	19
FT Gold Mines index	19	Short-term int rates	24
FT/ISMA Intl bond svc	16	US interest rates	16
FT-SE Actuaries indices	19	World Stock Markets	25

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Ann Taylor	33¼	-	1½
Asko Prf	650	+	10	Dillard	26	-	¼
Falls				JC Penney	43⅞	-	¼
Bil & Berg	780	-	13	**PARIS (FFr)**			
Goldschmidt	810	-	26	**Rises**			
Holzmann	817	-	23	Taittinger	2660	+	160
Karstadt	649.8	-	8.2	**Falls**			
MAN	414	-	6	Chargeurs	1134	-	32
NEW YORK ($)				BSF	885	-	22
Rises				Fonc Lyon	807	-	42
Sears	46⅝	+	⅝	Immobanque	780	-	40
Toys R Us	30¼	+	¼	SILIC	710	-	29
Woolworth	15⅝	+	⅜				

Tokyo closed. New York prices at 12.30pm.

LONDON (Pence)				Protelc	103	+	7
Rises				Regent Inns	322	+	13
Blagden Inds	113	+	10	Robert Wiseman	108	+	5
Burnfield	79	+	7	Stratagem	186	+	11
Cambridge Isq	41	+	10½	Tottenham Hspr	183	+	10
Caradon	259	+	9	Virtuality	236	+	15
Cathay Int	28½	+	4	XCL	50	+	4
Eastern Group	785	+	19	**Falls**			
Eurotunnel Uts	297	+	13	Avon Rubber	459	-	10
GBE Int	32	+	3	Beezer Homes	125½	-	5½
Harris (Philip)	154	+	6	HSBC (75p shs)	692	-	14½
MR Data Mngmt	118	+	6				
McDonnel Info	108	+	5				
Millgate	22	+	2				

Virgin wins go-ahead in case against BA

US court rejects BA's motion to dismiss anti-trust aspects of case as so-called "dirty tricks" affair takes a fresh turn

By Neil Buckley in London

Mr Richard Branson's Virgin Atlantic airline yesterday won approval to proceed with its attempts to bring a $1bn anti-trust lawsuit against British Airways in the US courts.

US court judge Miriam Goldman Cedarbaum rejected a motion by British Airways to dismiss the central anti-trust aspects of Virgin Atlantic's lawsuit. She did, however, grant BA's motion to dismiss five of Virgin's eight claims, including a challenge to BA's investment in USAir, the US airline.

Virgin launched the lawsuit in October 1993 after talks on a settlement over the "dirty tricks" affair with BA broke down. The lawsuit claims BA has used its monopoly power at London's Heathrow airport to try and squeeze out Virgin on transatlantic routes through techniques such as corporate discounts and travel agents' rebates.

In a legal challenge in New York last April, BA's lawyer Mr John Dickey had asked Judge Cedarbaum to dismiss the case on the grounds that it was "essentially an intermural squabble". Mr Dickey also argued that the US courts should not rule on the matter because it impinged on political and foreign relations between the UK and the US.

After eight months of consideration, Judge Cedarbaum ruled that Virgin could proceed with the central elements of its case.

"In the whole story of the 'dirty tricks' shenanigans, this is one of the most important pieces of news we have had," Virgin's spokesman Mr Will Whitehorn said last night.

He said that although some claims had been dismissed, the ruling meant the US courts could hear the "substantive case" put by Virgin.

According to the court papers, the following charges brought by Virgin can be heard:

- That BA "has attempted to monopolise transatlantic airline passenger service between the US and the UK".
- That BA "has used its monopoly over Heathrow and Gatwick [airports] to obtain an unfair competitive advantage in the market for transatlantic airline passenger service".
- That BA's "corporate travel programmes constitute illegal contracts that unreasonably restrain trade".

In response, BA emphasised last night that "nothing of substance has been decided" by the judgment. "There has been no ruling on the merits [of Virgin's case]. There has been no ruling that BA has violated US anti-trust laws or that Virgin in fact has an anti-trust claim whatsoever," it said.

"The only thing that the judge has decided ... is that Virgin will be allowed to try to prove in court – by hard evidence – what it has alleged in its complaint."

BA was "confident" Virgin could not do this.

Maurice Saatchi's departure comes amid continued turbulence and rancour, writes **Diane Summers**

Adman overcome by creative tensions

Maurice Saatchi, the deposed chairman of Saatchi & Saatchi, the company he founded with his brother Charles 25 years ago, has been plunged, as he told staff in an emotional valedictory memo yesterday, into "a period of uncertainty and instability".

But for the man who led the shareholder revolt against Mr Saatchi, Mr David Herro of Chicago fund managers Harris Associates, the events of the past few weeks will be seen "in the grand scheme of things to have been a positive turning point" in the life of the company.

Certainly the short-term could see some further turbulence. According to Mr David Forster, media analyst with Smith New Court, "the number one priority of management has to be to stabilise morale and hold the hands of existing clients. This is going to deflect management's attention, at least in the short term, from going out and getting new business."

The majority of Saatchi's clients will not need reassuring, for they will have had little to do with Mr Saatchi himself in recent years. But a handful of the largest advertisers, most notably the privately-owned Mars confectionery and pet food group, have expressed their loyalty to the former chairman and could remove their business.

Mars is the only client so far to announce a formal review of its advertising – a process which the company stressed yesterday will take some months.

At worst, observers believe loss of business could amount to about 5 per cent of revenue, leading to redundancies and knocking out perhaps a year's growth. Serious though this would be, Saatchi has had to deal with comparable losses of business before, most recently in 1993 with the loss of the Chrysler and Helene Curtis accounts in the US.

The loss of Mars business is by no means a foregone conclusion. It could be that, as one analyst noted yesterday, "once the heat of the moment has died down, Mars may think again" about whether it needs a new agency and is willing to throw away the strategies, teams and campaigns already in place. Such a move would barely be justified because of a "fit of pique" about Mr Saatchi's departure, he said.

Staff at the Saatchi & Saatchi advertising agency network have been the main group to mourn Mr Saatchi's departure.

In New York, a memo signed by staff before yesterday's deadline pleaded with him to take up the position of chairman of the network. It concluded: "Saatchi & Saatchi Advertising will be your bequest to the advertising world. We beg you not to will it to others prematurely, while you have so much left to give and to receive in return. Please join us as our chairman and leader."

Mr Moray MacLennan, joint managing director of the London agency, said "everyone was extremely sorry to see him go" but added that the sense of shock had been lessened because Mr Saatchi's departure had been widely expected since before Christmas.

While the official statement from Mr Charlie Scott, group chief executive, expressed regret that Mr Saatchi had decided to sever links with the company, Mr Scott's job will undoubtedly be transformed by the developments.

As one insider said yesterday:

> But, make no mistake, Saatchi & Saatchi is under new control.
>
> The new 'owners' - a group of shareholders owning around 30% of the shares - have found a simple, if crude, method of controlling the Company. By threatening the Directors with an Extraordinary General Meeting - at which they could outvote others - they have given the Directors their orders: "Take your Chairman into a corner and shoot him quickly - we don't want the fuss of a public trial'.
>
> I have watched in dismay as some of our longest client relationships have been jeopardized, the wishes of key clients ignored, and the loss of their

The full text of Maurice Saatchi's letter to staff is on Page 17

"He must be looking forward to getting on and running the business and not having to look behind his back to see what the chairman is doing all the time."

The publicly-aired disagreements between the chairman and chief executive last year were followed by an uneasy truce. But, all along, many observers believed there could be no real peace within the company until one of them left.

Said Mr Forster: "I would think the management would like to get Saatchi & Saatchi out of the headlines for several years and just get on and run a business. It has done the company no service to have this sort of wrangling going on in public for so long."

He believes that if existing clients can be reassured, then the current catharsis "probably will be a positive" in the longer term.

And, as he points out, the company still has some demanding financial targets to meet.

"They have a long way to get back to what would be deemed acceptable margins and earnings for the size of company they are."

His forecasts, which are not being revised in the light of Mr Saatchi's departure, are for pretax profits in 1994 of £32m ($50m), up from 19.2m in 1993, increasing to £42.5m for 1995.

As for Mr Saatchi himself, Sir Tim Bell, his adviser and former associate, said yesterday that he was taking things one step at a time.

"He's taken the first step, which is to withdraw and he'll now decide what he wants to do. He's been inundated by people wanting to back him or get him to do things with them. The world is his oyster and he can do what he likes.

"He's got a huge reputation and 25 years' experience of building up the most successful advertising business the world's ever seen. He's got plenty of money; he's left with great dignity; and he's 49 years old, so he's at his peak."

Mr Saatchi said he wished to speak to no-one. In contrast to his emotional letter to staff, the terse memo he sent Saatchi's company secretary, Mr Graham Howell, read as follows: "Please inform Mr Herro that I do not accept his offer. It was kind of him to consider me for the position."

The final line in his letter to staff leaves matters wide open: "I look forward to 1995 with great anticipation. Because, as we have always believed at Saatchi & Saatchi ... Nothing is Impossible."

Perhaps, as one observer commented yesterday, he will be contacting the advisers who once helped prepare the company's approach to buy Midland Bank and make a bid for Saatchi.


Maurice Saatchi: happier days

'The world is his oyster and he can do what he likes'
Sir Tim Bell

Barry Riley

An interim report on Italy's 30-year plan

Is Italy the place to invest for 1995? It certainly appeals to various contrarians who reason that while the risk-averse majority of investors are temporarily frightened off they might return to Italian securities when the political and financial scene seems more settled. Of course, you would have to be a real optimist to believe that this will happen in 1995, any more than it did in 1994, the year of Silvio Berlusconi and his political transformation.

Extreme swings of optimism and alarm are familiar features of the Italian debt and equity markets. I last wrote about Italy in November 1992, complaining about the issue of 30-year bonds yielding just under 10 per cent. What rational state Treasury, I asked, would issue long-term debt at such a rate if it really believed in low inflation?

The short-term timing, though, was excellent, and in fact there was even a quick profit to be made on those 9 per cent 2023 bonds, which went to a yield of about 9.1 per cent a year ago, at the peak of the global bond market bubble.

But the yield has now jumped to 12.6 per cent and the capital loss in 12 months is 25 per cent. On reasonable calculations there is now a substantial negative equity risk premium in Italy – that is, government debt is riskier than equities.

Those international bond funds that got sucked into Italian debt in 1993 have paid a high price, aggravated by the 13 per cent currency loss against the D-Mark in the second half of 1994. That is the responsibility of the fund managers, but something ought to be said about the role of the big bond market houses such as J.P. Morgan and Salomon Brothers, which added Italy to their world government bond indices in 1992.

Previously Italian government debt (then yielding 13 or 14 per cent) was not really regarded as investment grade. So what changed in 1992, just after the lira's undignified exit from the ERM?

Perhaps it could be argued that political and financial reform was coming. Certainly there have been changes, if not yet clearly successful. The cynics deduced, however, that the investment banks were hoping to flatter the Italian Treasury and win lucrative privatisation mandates.

The old joke about Italy, after all, is that the situation is hopeless but not serious

The trouble, as we know too well, is that there is an awful lot of Italian government debt. Including it in a world index on a volume-linked basis leads to a weighting of the order of 7 per cent, bigger than for France or the UK.

Indeed, any bond portfolio constructed mechanistically to track such an index will be weighted towards over-indebted countries and will have a low exposure to more soundly-financed jurisdictions. That is a formula for trouble.

Any bond fund manager underexposed to Italy in 1993, however, struggled to match the indices as the J.P. Morgan Italian Government Bond Index returned 35 per cent. But in 1994 Italian bond yields soared – from a low point of 8.5 per cent on the 10-year benchmark bond at the beginning of February to over 12 per cent in December. Fortunately the average duration of Italian government debt is so short that the returns were only modestly negative – unless you were stuck with that 2023 bond.

By the same token, however, rising interest rates rapidly feed into the Italian budget deficit as the debt is rolled over. Debt service now costs the Italian Treasury some $100bn annually and the disastrous pensions system is running a further deficit of $50bn.

As long as the government can partially default on these obligations, however, the Italian economy – growing at 3 per cent, with a balance of payments surplus – will continue to be sound, even strong. The old joke about Italy, after all, is that the situation is hopeless but not serious.

So far it looks as though the pensioners will prove better at defending their patch than the creditors, but these are early days. The inhibition for the conventional international government bond fund, perhaps, is that it is only geared to handle inflation and exchange rate risk rather than restructuring and default risk. For many, Italy will be out of bounds in 1995.

Counterbid signals final phase in battle for Rolo

By Andrew Hill in Milan

The fight for control of Credito Romagnolo, one of Italy's strongest regional banks, yesterday entered what is probably its final phase, when a consortium led by Cariplo, the Milan savings bank, formally launched a counterbid.

Directors of Credito Romagnolo (Rolo) will meet in Bologna today to discuss the new offer, which has overcome all the regulatory hurdles.

The consortium is bidding for 70 per cent of Rolo. If successful, it will have to spend L3,291bn ($2bn) for the holding, 18 per cent more than the rival bidder, Credito Italiano (Credit), which is seeking a 64 per cent stake.

Rolo gave a much warmer welcome to the consortium offer when Cariplo and its partners announced the outline terms on December 15, but the board has yet to pronounce formally on the bid.

The two rival suitors, already among Italy's 10 largest banks, are hoping not only to increase their own strength in the fragmented banking sector, but to gain access to wealthy clients in Emilia Romagna, one of Italy's most prosperous regions.

However, analysts are doubtful whether any bank or group of banks would want to take the bid battle into a third round, even for such a valuable prize.

Credit's shares rose by more than 2 per cent in Milan yesterday. Cariplo supporters said investors were expressing their relief that the bank would not have to spend its spare cash on Rolo.

Rolo's share price – which has risen by some 50 per cent since October – rose to L19,135 yesterday, up 1.74 per cent on the day. That compares with the consortium offer of L21,500 and Credit's L20,000.

According to the prospectus, published yesterday, the consortium bid will open formally on January 11 and close on February 3.

If fully accepted, the consortium would own 79 per cent of Rolo, including existing stakes. Cariplo would have 52 per cent; IMI, the recently-privatised financial services group, and Cassa di Risparmio in Bologna (Carisbo), a neighbouring bank, 10 per cent each; and Reale Mutua, an Italian insurance company, 6.98 per cent.

The prospectus reveals that Cariplo and its partners are trying to outdo Credit by offering benefits to existing Rolo shareholders, many of whom are concerned that Rolo might lose its strong regional identity if it falls under new ownership.

Alcatel SEL pursues overhaul of management

Alcatel SEL, the troubled German unit of French telecoms, transportation and power equipment group Alcatel Alsthom, said yesterday its chairman and deputy chairman would step down as part of an overhaul of its management structure, AP-DJ reports from Stuttgart.

Although Alcatel SEL termed the departures of Mr Gerhard Zeidler, 58, and his deputy, Mr Hans-Ulrich Schoeder, 51, as "amicable", both are well below the usual German retirement age of 65.

The departures follow Alcatel SEL's gloomy November estimate for an operating loss of some DM300m ($193.5m) in 1994. That would be on top of an estimated DM200m-DM300m in restructuring charges.

The company is aiming to halve its 1994 losses in 1995 and to break even by 1996. The German unit's woes, brought on in part by intense price pressure in the telecoms equipment business, influenced the parent company Alcatel Alsthom's decision last autumn to announce a second downgrade in the group's earnings estimate for 1994.

To get back into the black, Alcatel SEL plans to trim its global workforce of 19,000 by 3,000 by the end of this year. Among the steps it plans to take are closing one small manufacturing plant and downscaling another.

The company hopes to save DM400m a year on operating expenses through these measures.

As part of the management reorganisation announced yesterday, the company plans to eliminate a layer of management just below the board of directors.

The employment director, Mr Klaus Fritsche, will be the only executive from the former three-member management board to retain a place on the new five-member board that raises the heads of three business divisions to director level.

The goal of the restructuring is "a rapid and clear improvement in earnings", the company said.

Telefónica close to deal with GTE

By Tom Burns in Madrid

Telefónica, Spain's government-controlled telecommunications group, was yesterday reported to be close to a long-awaited agreement with GTE, the US operator, to develop its growing business in Latin America. The move comes as Telefónica faces the loss of a substantial part of the domestic cellular business due to the deregulation of the mobile telephone sector.

The last round of talks between GTE and Tisa, Telefónica's international unit, follows the award at the end of last week of a second GSM (global system of mobile communications) licence to the Airtel consortium, led by AirTouch of the US and backed by large domestic banking groups.

Airtel, which will compete with a cellular network to be installed by Telefónica, plans to invest Pta300bn ($2.3bn) over the next 10 years. It also plans to have 1.4m subscribers by 2000, a total that will represent a 40 per cent share of the projected GSM market. Airtel believes it will break even by 1999.

FG, the Madrid securities house, said yesterday that it was still too early to judge how optimistic Airtel's projections might be. However, it said it appeared that Telefónica would remain the leader in the GSM market, even in the long term. Analysts believe the growth of the GSM sector could be affected by the award of PCN (personal communication network) licences, expected next year.

The assault by Airtel on Telefónica's previously highly-protected home market has given an added urgency to complex negotiations with GTE over far-reaching joint ventures in Latin America. The two companies have spent more than six months valuing each other's properties in Latin America, where Tisa has aggressively bought into privatisation programmes to become the dominant foreign operator in the area.

GTE is understood to be seeking between 25 and 30 per cent of Tisa, which has a market capitalisation of $6.3bn, in a mix of cash and of assets.

Telefónica said yesterday the expected announcement of its agreement with GTE could be "days or weeks away".

In a separate agreement, the Spanish operator could allow AT&T into the Tisa shareholding. The possible link-up with the US long-distance operator follows the alliance between AT&T and Unisource, the joint venture that pools Telefónica with the Dutch, Swedish and Swiss telecoms groups.

Appointments at HK bank

By Simon Holberton in Hong Kong

Peregrine Investments, the Hong Kong merchant bank run by Mr Philip Tose, has underlined its claim to post-1997 prominence in the colony with the appointment as directors of two leading figures with excellent mainland connections.

The company said it had added to its board Mr Gao Shangquan, a mainland member of the preliminary working group (PWC), a body advising Beijing on Hong Kong affairs, and Mr Charles Lee, the recently retired chairman of the Hong Kong Stock Exchange. Both are non-executives.

Their appointment comes just weeks after the stock exchange censured Peregrine for helping clients to create a false market in the shares of certain public companies. The bank was fined HK$300,000 (US$38,774) for misconduct.

Peregrine has long had close associations on the mainland – some of its founding shareholders are mainland companies – and has always figured among the investment banks which bring Chinese state companies to the Hong Kong stock market.

The appointment of Mr Gao and Mr Lee as non-executive directors will, however, add a fresh lustre to the bank's board, which has been dominated by executive directors.

Mr Gao – a former adviser to Zhao Ziyang, China's reformist premier of the 1980s – is an economist by profession and a member of a number of mainland research bodies. On the PWC, he chairs the important economic sub-committee.

Mr Lee is one of Hong Kong's leading commercial solicitors and the director of many listed companies, among them Cheung Kong, Mr Li Ka-shing's flagship, and Hopewell Holdings, Mr Gordon Wu's company. Both companies were foundation shareholders in Peregrine.

Mr Lee retired as chairman of the stock exchange at the end of last year.

Southcorp buys Hoover unit

By Nikki Tait in Sydney

Maytag, the US domestic appliance manufacturer, is to sell its Hoover operations in Australasia to Southcorp, the Adelaide-based group with interests ranging from wine and packaging to heaters and dishwashers, for A$105m (US$81.4m).

Southcorp, previously known as SA Brewing, will pay A$80m cash for the businesses which manufacture washing machines, dryers and floorcare products in New South Wales and refrigerators in Victoria. It will also take on about $25m of debt obligations.

Maytag first announced plans to sell the operations, which employ around 1,300 people, in May last year. Originally, it talked of floating them on the stock market, and analysts speculated that a price tag of between A$100m and A$150m could be put on the group.

However, the subsequent fall in the stock market and the apparent lack of interest among investors and sub-underwriters at the desired offering price prompted the US parent to pull the flotation plan at the end of September.

Yesterday's cash purchase price was A$9m less than the final proposed flotation tag of A$89m when the stock market plan was aborted, although at that stage the group was carrying around A$30m of debt.

Southcorp had been tipped persistently as the most likely buyer if Maytag went down the trade sale route. The Adelaide-based group noted yesterday that the Hoover interests complemented its existing appliance operations, which centre on dishwashers and ovens, and would allow it to become a "full-range whitegoods supplier".

It said the technology relationship with Maytag could aid product development and component sourcing. The enlarged division would now focus on niche export markets and Asian ventures, it said.

The trade sale is reckoned to substantially increase Southcorp's share of the domestic whitegoods market, to around 28 per cent. However, this is well below the share enjoyed by Email, the market leader. The Trade Practices Commission, Australia's competition watchdog, yesterday made clear it had no objections to the deal.

In the course of the abortive flotation process, it was suggested that Hoover's earnings before interest and tax should double in the year to end-November, to around A$16m. However, Mr Graham Kraehe, Southcorp managing director, said his company was budgeting for "maintainable earnings before interest and tax" of around A$14m, with Hoover's sales being slightly more than A$190m annually.

Lion City expands in duty free

By Nikki Tait

Lion City, a private holding company belonging to the Singapore-based Jumabhoy family, has acquired a 45.7 per cent interest in M. S. McLeod, the listed Australian group which owns Downtown Duty Free, the country's largest duty free retail business.

The 12.5m-share stake is being sold by the company's major shareholder, Outer Hebrides, the trustee of the estate of M. S. McLeod, Mr Henry Cross and Blackberry. The shares are being bought at 84 cents each, a slight discount to the stock market closing price of 88 cents on December 30. Lion is also acquiring 2.4m convertible notes from the same investors.

Australia's "duty free" market is unusual, with shops located both at airports and other international travel destinations, and in downtown or suburban locations. Downtown Duty Free, for example, has outlets in Sydney and Melbourne, but is also in suburban Parramatta and tourist areas such as Surfers Paradise.

Lion City, which also controls a Singapore property company called Scotts Holdings, said it already had business partnerships with Singapore's Changi International Airport Services, and the Weitnauer Group in Switzerland.

Skandia awarded new S&P rating

Standard & Poor's, the US rating agency, yesterday assigned Skandia, the Swedish insurance group, a triple B plus credit rating and raised the ratings of three of its subsidiary units, writes **Hugh Carnegy in Stockholm.** It said the operational profitability and financial strength of Skandia were growing.

S&P said Skandia was still "somewhat encumbered" by a relatively high debt-to-capital ratio and non-core liabilities dating from the 1980s, when it pursued an expansionist strategy. It also noted that 1994 results would be affected by poor investment conditions and lower capital gains.

However, the agency applauded Skandia's move to concentrate on its core Scandinavian markets and less risky underwriting business and said it anticipated a further strengthening in the group's solvency margin, now standing at about 70 per cent.

Finmeccanica sells chip group stake

By Andrew Hill

Italian state-controlled companies have tidied up their investment in SGS-Thomson Microelectronics, the Franco-Italian semiconductor manufacturer whose shares were listed in New York and Paris last month.

Some 80 per cent of SGS-Thomson still belongs to a holding company jointly owned by Italian and French state groups. Yesterday, Finmeccanica, the Italian state-controlled engineering company quoted in Milan, announced it had sold its 1.86 per cent stake in that holding company to MEI-Microelettronica Italiana, a vehicle for the rest of the Italian stake.

Last month's public offer of SGS-Thomson shares was aimed at raising more than $470m for the company, which is poised to become one of the world's top 10 semiconductor manufacturers.

Finmeccanica said the sale of its SGS-Thomson stake would raise some L70bn ($43.1m). The money will come indirectly from its own parent company, IRI, the Italian state holding company which controls both MEI and Finmeccanica.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.01.95 Pool purchase price £/MWh	Final Prices for Trading on 07.12.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	29 63	9.15	9.15
0100	41.63	21.18	25.27
0130	41.63	21.18	25.27
0200	41 63	21.18	25.27
0230	41.63	16.00	20.08
0300	41.63	9.64	13.72
0330	41.63	9.29	9.29
0400	41.63	9.14	9.14
0430	30.30	9.14	9.14
0500	30.30	9.09	9.09
0530	30.89	9.09	9.09
0600	10 06	9.12	9.12
0630	10.07	9.12	9.12
0700	10 59	31.50	35.58
0730	34 78	32.12	36.23
0800	47.27	35.72	39.93
0830	55.57	46.95	51.27
0900	62.30	47.64	52.14
0930	67 50	47.97	52.56
1000	68.34	48.13	52.75
1030	64.42	39.16	43.72
1100	59.51	36.86	41.38
1130	60 84	36.84	41.35
1200	66.83	36.85	41.37
1230	66.18	47.45	51.90
1300	62.50	47.09	51.44
1330	57.70	34.82	39.04
1400	50 47	32.54	36 71
1430	41 01	32.46	36.82
1500	40.39	10.59	10.59
1530	25.12	11.88	11.88
1600	86.87	64.08	73.57
1630	208.61	162.97	193.92
1700	386.57	291.51	338.58
1730	453.20	346.28	389.72
1800	340.10	256.87	291.56
1830	148 15	118.34	135.52
1900	86.64	68.72	78 17
1930	60.95	45.80	51.64
2000	36 47	38.86	43.38
2030	32.70	37.64	41.82
2100	32.25	34.24	38.35
2130	32.16	32 07	38.18
2200	30.70	30.54	34.63
2230	29.63	31.49	35.58
2300	29.40	30.10	34.18
2330	29.40	25.30	29.39
2400	10 07	10 03	10.03

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0802-456789 between 8:30am and 5.15pm Monday to Friday.

LEGAL NOTICES

No. 007589 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF HEYWOOD WILLIAMS GROUP PLC -and- IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 20th December 1994 confirming the cancellation of the amount of £51,380,204 standing to the credit of the Share Premium Account of the above named Company was registered by the Registrar of Companies on 22nd December 1994.

Dated this 4th day of January 1995

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London
EC2A 2HA

Solicitors for the Company
Ref: EAM/GJW/H24302152

PERSONAL

INTERNATIONAL COMPANIES AND FINANCE

US retail hopes hit as sales slow at Toys R Us

By Richard Tomkins in New York

Hopes of a good Christmas season for US retailers yesterday received a setback when Toys "R" Us, the world's biggest toy retailer, reported that sales at its existing US stores had risen by only 1 per cent in the eight weeks to December 24.

The company said it believed an unusually large proportion of family spending had been diverted towards personal computers and computer software, leaving less money available for toys.

Overall, Toys "R" Us said sales in the holiday selling season rose by 8.7 per cent to \$3.7bn. However, this was largely because the company opened 37 new stores in the US and 58 in other countries during the year, taking the total to 618 in the US and 292 internationally.

One factor suppressing sales growth at US stores that had been open a year or more was poor sales of video games. Some consumers are said to be reluctant to spend on these because they are waiting for a new generation of 32-bit video hardware systems.

Internationally, Toys "R" Us said its French, Spanish and Japanese toy stores had seen strong increases in sales at stores open a year or more, but these were offset by lower comparable store sales in Canada, the UK and Germany. UK sales suffered from an increase in Sunday trading by other retailers.

Toys "R" Us said it expected to report a significant increase in earnings for 1994, with improved performances from the US operation, international stores and Kids "R" Us. The shares were up \$¼ at \$30¾ in early trading.

● Tandy, the US electronics retailer, yesterday announced that it was selling its credit card operations and its repair service contracts for a gain of \$86m and closing all its Video Concepts and most McDuff mall stores at a cost of \$86m in the fourth quarter.

Slocan rejects C\$700m takeover bid by Canfor

By Bernard Simon in Toronto

British Columbia's Slocan Forest Products yesterday rejected Canfor Corp's C\$700m (US\$499m) takeover offer, describing it as "financially inadequate".

Analysts expect the rejection will lead either to Canfor adding a cash component to its all-paper offer, or to the emergence of other bidders.

No single shareholder owns more than about 10 per cent of Slocan. Mr Irving Barber, Slocan chairman and largest single shareholder, indicated that he would prefer the company to remain independent.

Canfor, also based in Vancouver, last month offered 0.935 of its own shares for each Slocan share. Its offer is subject to numerous conditions, notably acceptance by Canfor of any terms set by British Columbia's provincial government, which would have to approve the deal. The offer expires on January 10.

Slocan said that Canfor's offer "does not recognise the underlying value of Slocan's business, Slocan's superior performance or its superior prospects for future growth".

The rejection comes as no surprise. Slocan launched legal proceedings last week to clarify the validity of Canfor's bid under the British Columbia Forest Act and securities legislation. In particular, Slocan has challenged the validity of deposit receipts that Canfor proposes to offer shareholders pending government approval.

The battle for Slocan marks an important stage in the accelerating rationalisation of Canada's forestry industry.

AT&T finance arm makes continental Europe move

By Richard Waters in New York

AT&T Capital, the financial services arm of the US telecommunications group, is taking its first steps into continental Europe with the acquisition of an equipment leasing business with offices in Paris, Frankfurt, Milan and Brussels.

The company is to buy the leasing and commercial finance companies of Banco Central Hispano, the Spanish banking group. The business, which also has an operation in the UK, has assets of \$500m and 4,600 business customers, AT&T said.

The purchase will add to AT&T's UK leasing business, which was set up in 1993 and has finance receivables of more than \$270m.

Mr Tom Wajnert, chairman and chief executive of AT&T Capital, said the company planned to expand internationally on the back of rising equipment sales. About a third of the company's business involves financing purchases of AT&T equipment, with the rest supporting the sales of other manufacturers with whom the company had a relationship, such as Gestetner.

Mr Wajnert said the move into continental Europe represented a big step for the company, given the barriers to foreign financial services businesses in countries like Germany and France.

"It's very difficult for US companies to enter what are protected markets outside the US," he said.

The head of AT&T's computer business has left to head a far smaller company, just 18 months after taking on the job of sorting out the US group's ailing computing operations, writes Richard Waters.

Mr Jerre Stead, 51, has left a business which has 46,250 employees and had sales in 1993 of \$7.3bn to join Legent, a Virginia-based company with sales of about \$500m, which specialises in software for the computing industry.

AT&T has struggled to make a success in the computer business since buying NCR in 1991. Under Mr Stead's direction, it has shed about 7,000 people and narrowed its operations to focus on just six industries.

AT&T said Mr Stead's decision to leave was entirely his own decision, and reflected his ambition to head a smaller company with high growth prospects.

In a recent interview, Mr Stead conceded that there was still much to be done at AT&T. "We're not giving the return we should be giving or will in the future. I'm pleased at this point with the progress, but we've got a job to do – and we will," he said.

Spring deadline for smelter plan

By Robert Gibbens in Montreal

Germany's VAW and three other international partners in the C\$1.5bn (US\$1.07bn) Alouette aluminium smelter at Sept Iles, 600 miles north-east of Montreal, must decide this spring whether to go ahead with the second phase of a plan to double its annual capacity of 215,000 tonnes.

Originally VAW, Hoogovens of The Netherlands and Kobe Aluminium of Japan were to decide by the end of 1994. A fifth partner is a Quebec government agency.

The second phase would cost C\$1bn. Some of the infrastructure needed was put into place during construction of the first phase.

Alouette started up in September 1992 when ingot prices hit post-1930s lows. The project received C\$100m in indirect federal-provincial aid and power rates were geared to ingot prices.

Despite the strong rise in prices in 1994 to about 88 US cents per lb, doubts persist about the timing of phase two. Each partner would face a commitment of C\$200m. Hydro-Quebec is building a C\$3bn dam to support phase two.

The four partners had each put up a C\$5m bond with the Quebec government in return for a three-month delay in the decision on phase two to March 31 next. "They can go ahead with the expansion or lose their money," said Mr Gilles Blouin, Alouette spokesman.

Airline unit sold by MGM Grand

By Richard Tomkins

MGM Grand, the Las Vegas casino and airline group controlled by the billionaire investor Mr Kirk Kerkorian, is getting out of the airline business by selling its MGM Grand Air subsidiary to American International Airways, a privately-owned cargo and charter carrier, for an undisclosed sum.

The company said the sale would result in a gain of about \$8.5m in the fourth quarter.

Separately, it emerged from a filing with the Securities and Exchange Commission that Mr Kerkorian and his private company Tracinda had further increased their stake in Chrysler, the US car manufacturer, from 9.2 per cent to 10.16 per cent between December 19 and December 30.

Mr Kerkorian received clearance from the Federal Trade Commission to take his stake up to 15 per cent on December 15.

MGM Grand, in which Mr Kerkorian owns a stake of about 74 per cent, has two arms: the MGM Grand Hotel, a casino resort in Las Vegas, and MGM Grand Air, a luxury carrier operating three Boeing 727 aircraft and three DC-8s. In the nine months to September it had net income of \$55.3m.

Mr Alex Yemenidjian, MGM Grand chief financial officer, said yesterday that the airline had lost about \$3.5m after tax in 1994.

INTERNATIONAL CAPITAL MARKETS

Strong retail demand prompts surge of issues

By Graham Bowley

The eurobond market saw a surge of new issues on the first trading day of 1995 yesterday.

Activity was most intense in the US dollar sector, where continuing strong retail investor appetite for short-dated dollar debt brought a rash of two and three-year offerings.

J. P. Morgan, the US investment bank, launched a self-led $500m two-year offering, with an 8 per cent coupon and a spread of 25 basis points over US Treasuries.

Investor interest for the issue was exceptionally strong in Switzerland, although German institutional investors also provided demand, J. P. Morgan said.

Also in the two-year sector, Germany's LB Schleswig-Holstein launched a $200m offering, with a coupon of 8¼ per cent and a yield of 40 basis points over US Treasuries.

The issue represented good value and performed well, dealers said. Lead manager HSBC said demand came primarily from continental European retail investors, although institutional investors bought bonds later in the day.

INTERNATIONAL BONDS

Dealers expect the flood of short-dated dollar issuance, a trend which dominated the eurobond market at the end of last year, to continue in the early part of 1995, as rising US short-term interest rates continue to cause a flattening of the US yield curve and push coupon levels at the shorter maturities higher.

"After a quiet December, there is now a lot of money looking to go into the market," said one dealer. He said issues with two and three-year maturities targeted directly at the strong institutional demand would perform well, while offerings with longer maturities would be slower to place.

Baden-Wurttemberg L-Finance, a financing subsidiary of Germany's L-Bank, provided the day's largest transaction, a $1bn issue of five-year bonds, priced to yield 20 basis points over US Treasuries, which met firm demand from Asian and European retail investors, joint-lead manager Goldman Sachs said.

Also in the five-year sector, Bayerische Vereinsbank launched $500m of bonds priced to yield 22 basis points over US Treasuries, in a deal arranged by J. P. Morgan and Paribas Capital Markets.

The bonds were sold to retail investors in Switzerland, the Benelux region and Germany, although some UK institutions were attracted by the five-year maturity, J. P. Morgan said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Baden Wurttemberg L-Finance	1bn	8.125	99.607R	Jan.2000	0.25R	+20(7¾%-99)	CSFB/ Goldman Sachs Intl.
Bayerische Vereinsbank	500	8.125	99.714R	Jan.2000	0.25R	+22(7¾%-99)	JP Morgan/Paribas Cp.Mkts.
JP Morgan & Co.	500	8.00	99.825R	Jan.1997	0.125R	+25(7½%-96)	JP Morgan Securities
Crédit Local de France	300	8.125	99.835R	Jan.1998	0.1875R	+20(7¾%-97)	Swiss Bank Corp.
UBS Finance	250	8.00	99.97R	Jan.1997	0.125R	+12(7½%-96)	UBS
Kingdom of Denmark	200	8.00	100.035R	Jan.1997	0.125R	+12(7½%-96)	Paribas Capital Markets
Rabobank Nederland	200	7.875	99.847R	Jan.1997	0.125R	+12(7½%-96)	Barclays de Zoete Wedd
LB Schleswig-Holstein	200	8.25	99.975R	Jan.1997	0.15R	+40(7½%-96)	HSBC Markets
STERLING							
Alliance & Leicester B/S‡	150	(a)	99.76R	Jan.1998	0.125R	-	HSBC Markets
D-MARKS							
LB Rheinland-Pfalz Finance(f)	400	7.25	99.701R	Feb.1999	0.225R	+10(6¾%-99)	Salomon Brothers
FRENCH FRANCS							
Republic of Finland(s)	5bn	(b)	(b)	Apr.2005	0.325R	(b)(7½%-05)	JP Morgan/ Société Générale
SWISS FRANCS							
Sudwestdeutsche LB Capl.Mkts.	150	5.375	102.35	Feb.2000	2.00	-	Merrill Lynch Capital Markets
Bayerische Landesbank(c)	125	5.375	102.75	Oct.1998	1.75	-	Credit Suisse
DSL Finance	100	5.375	102.25	Feb.2000	2.00	-	Banque Paribas (Suisse)
Harvard University*	75	5.50	102.35	Feb.1997	1.125	-	Merrill Lynch Capital Markets
ITALIAN LIRE							
Rabobank Nederland(d)	250bn	11.05	101.205	Dec.1997	1.375	-	BCI/Credito Italiano/Paribas
Bayerische Hypothekenbank	150bn	11.05	100.97	Feb.1997	1.125	-	San Paolo, Turin
Deutsche Bank Finance(e)	100bn	11.00	101.225	Jan.1998	1.375	-	Deutsche Bank London
AUSTRALIAN DOLLARS							
National Australia Bank	200	10.50	100.85	Feb.1998	1.50	-	Hambros Bank
BNP Pacific (Australia)	100	10.625	101.32	Feb.1998	1.50	-	CBA

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Priced today at 29-31bp over OAT's. c) Fungible with SFr225m. Plus 90 days accrued. d) Fungible with L150bn. Plus 51 days accrued. e) Issue launched 12/12/94 was increased to L300bn. f) Long 1st coupon. s) Short 1st coupon.

Republic of Finland launched a FFr5bn offering of 10-year bonds, which is due to be priced today at a spread of around 30 basis points over French government bonds.

The issue relied heavily on demand from French insurance companies, although there was some interest from European central banks, UK investment funds and investors in Benelux, joint lead manager J. P. Morgan said.

The proceeds from the offering were not swapped out of French francs, according to market sources.

Matif's progress cheers chairman

By Andrew Jack in Paris

Mr Gérard Pfauwadel, chairman of Matif, the French financial futures exchange, pronounced himself satisfied yesterday with the market's progress as he took stock of its 1994 results.

Recent figures for the past year – its ninth in operation – show 29 per cent growth in the volume of transactions, compared with 30 per cent in 1993 and 50 per cent in 1992. "For a mature market, we consider that pretty good," he said.

Using figures for January to November, Matif reported 87.9m futures and options contracts, giving it an estimated 11 per cent of the global market compared with 26 per cent to each of the Chicago exchanges and 19 per cent to the London International Financial Futures Exchange.

Its greatest strength came from its notional interest rate contract and options, reflecting the activity on the bond market during 1994.

Mr Pfauwadel pledged continued support to Matif's "two new babies" created during 1994. The first was a market for currency options, which has clocked up over 300,000 options among 15 traders since its launch in May.

"It started well, had a poor summer and was relatively satisfactory at the end of the year," he said. "We still have a lot of expectations. There is really a need for companies to use recognised exchanges for currencies."

The second product was the launch of France's first new commodity contract for a decade: the futures market for colza or rape seed. He described its progress as "extremely encouraging". It is averaging 220 contracts a day between 14 member agencies.

Mr Pfauwadel is pleased with the "Christmas gift" of a favourable report from the UK's Office of Fair Trading in mid-December, which could soon pave the way for Matif being able to offer its products without restrictions in London. "It is now a political decision between the Securities and Investment Board and the British Treasury," he said.

Matif is likely to decide by the start of February which two products it will be offering to members of the equivalent exchange in Frankfurt.

Mr Gérard Pfauwadel, chairman of the exchange, said internal consultations would be completed shortly on the products to offer to members of the Deutsche TerminBörse.

The plan comes as part of an agreement signed with the DTB in December 1993 which has already led to Matif members being able to trade from Paris in two products offered by the German exchange. Eight members are now connected to the system.

Matif is consulting member firms on which two products to offer from three being considered: the CAC 40, Ecu and Pibor. They should be on offer by the end of 1995.

He refused to provide details of Matif's plans for 1995 on grounds of commercial sensitivity, and said it was difficult to estimate how the markets would perform. "Our market is linked to the volatility of the cash market for bonds and Pibor as well as the French political situation," he said.

However, he said the impact on the money markets of the race to replace President François Mitterrand – for which voting begins in April – would be less than in previous elections now the Bank of France has become independent.

Five-year extension to Fenosa facility

By Richard Lapper

Three Swiss banks have been mandated to arrange a five-year extension of a $100m loan facility for Union Electrica-Fenosa, the Spanish utility. They are Credit Suisse, Swiss Bank Corporation and Union Bank of Switzerland.

The multi-currency term loan facility, due to mature on June 1 this year, will be extended to June 1 2000. Fenosa will pay 27.5 basis points over Libor for the facility. Extension fees are 17.5 basis points for $8m and above, 15 basis for $5m to $7.9m, and 12.5 points for $2m to $4.9m.

US long bond falls on sharp rise in prices data

By Lisa Bransten in New York and Richard Lapper in London

The US long bond fell by more than half a point yesterday morning after a sharp rise in the price component of the National Association of Purchasing Managers' index of business activity for December.

At midday, the 30-year government bond was down [illegible] at 95[illegible], yielding 7.924 per cent. At the short end of the market, the two-year note fell $\frac{1}{16}$ at 99$\frac{5}{16}$, yielding 7.725 per cent.

The market was soft even before the NAPM released its monthly survey, and traders chose to look at the most negative aspect of the data – that the price sub-index had hit its highest level since March 1980.

Overall, however, the data showed a larger than expected decrease in business activity, with the index dropping to 57.8 per cent for December from 61.2 per cent in November. Economists had expected a fall of about 60.5 per cent.

Analysts attributed the drop in the main index to declines in orders, production and employment, which they said could be important indicators that the economy is responding to monetary tightening by the Federal Reserve.

Mr Mark Cliffe of HSBC Research said the fall was "perhaps a sign that growth is beginning to moderate".

■ European government bond markets drifted lower in thin trading, partially depressed by news from the US.

In the UK, the March long gilt future fell ½ in light trading, closing at 100$\frac{7}{32}$. In the cash markets the yield on the benchmark 10-year bond rose 7 basis points to 8.78 per cent.

GOVERNMENT BONDS

Positive figures on UK money supply and other economic trends were "encouraging but not decisive", said Mr John Shepperd, chief economist at Yamaichi. Analysts said that low volumes were partially a reflection of uncertainty following falls in the market last week.

■ In France the March 10-year future fell by 0.30 to close at 109.6, while in the cash market the yield on the benchmark OAT due 2005 rose by 6 basis points to close at 8.37 per cent. The yield spread of the OAT over equivalent German paper rose by 5 basis points to 71 basis points.

Analysts said some of the decline reflected bearish sentiment, inspired by news from the US, but also that the supply of franc-denominated paper on to the market could be depressing prices.

Finland issued a FFr5bn eurobond, prompting some selling, and the French treasury said it is to offer between FFr18bn and FFr20bn of tap stock OATs on Thursday.

It is expected that up to 25 per cent of the total will be in 30-year paper. This would be the first issue of long-term French bonds – the most liquid paper of its kind in Europe – since August last year.

■ German bonds slipped back in quiet trading, with the March bund contract on Liffe closing at 88.76, down 0.34 on Friday's close.

■ Spain partially bucked the trend, although its markets finished only marginally higher, with the March bond future up 0.26 at 83.95. The yield spread between Spanish 10-year paper and its German equivalent narrowed from 421 basis points to 408 points.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.500	09/04	93.5100	+0.010	10.06	10.19	10.09
Belgium		7.750	10/04	95.1200	-0.290	8.50	8.31	8.23
Canada *		9.000	12/04	98.7500	-0.700	9.19	9.07	9.02
Denmark		7.000	12/04	86.5700	+0.100	9.11	8.92	8.80
France	BTAN	8.000	05/98	100.1900	-0.230	7.69	7.69	7.27
	OAT	7.500	04/05	93.8900	-1.130	8.40	8.07	7.87
Germany Bund		7.500	11/04	98.8000	-0.190	7.67	7.47	7.31
Italy		8.500	08/04	80.2100	+0.340	12.04†	11.88	11.59
Japan	No 119	4.800	06/99	103.6400	-	3.84	3.88	3.94
	No 164	4.100	12/03	96.8830	+0.001	4.59	4.54	4.66
Netherlands		7.250	10/04	96.2400	-0.060	7.81	7.65	7.45
Spain		10.000	02/05	88.8200	+0.280	11.75	11.64	11.13
UK Gilts		6.000	08/99	89-29	-5/32	8.70	8.46	8.45
		6.750	11/04	86-24	-15/32	8.78	8.49	8.54
		9.000	10/08	102-07	-14/32	8.72	8.47	8.50
US Treasury *		7.875	11/04	99-31	-18/32	7.88	7.78	7.83
		7.500	11/24	95-04	-31/32	7.93	7.79	7.94
ECU (French Govt)		6.000	04/04	82.7500	-0.780	8.78	8.52	8.18

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	8½
Broker loan rate	8½
Fed.funds	5⅞
Fed.funds at intervention	-

Treasury Bills and Bond Yields

One month	5.39	Two year	7.78
Two month	5.33	Three year	7.83
Three month	5.70	Five year	7.88
Six month	6.54	10-year	7.87
One year	7.21	30-year	7.92

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	109.74	109.60	-0.30	110.10	109.50	93,926	132,383
Jun	109.16	108.94	-0.34	109.22	108.96	591	2,768
Sep	108.60	108.38	-0.34	108.60	108.60	2	1,065

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
110	0.67	1.13	-	1.10	1.56	2.54
111	0.31	0.73	1.13	-	2.05	3.10
112	0.12	0.42	-	-	-	-
113	0.06	0.25	0.52	-	-	-
114	-	0.14	-	-	4.45	-

Est. vol. total, Calls 20,694 Puts 20,282. Previous day's open int., Calls 145,087 Puts 129,229.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	88.92	88.76	-0.34	89.04	88.67	46107	168260
Jun	88.20	88.16	-0.32	88.30	88.14	3	1305

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8850	0.68	0.95	0.84	1.13	0.42	0.69	1.18	1.47
8900	0.42	0.70	0.64	0.94	0.66	0.94	1.48	1.78
8950	0.24	0.48	0.47	0.76	0.98	1.22	1.81	2.10

Est. vol. total, Calls 8627 Puts 5420. Previous day's open int., Calls 145173 Puts 64878

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.60	98.94	+0.07	99.25	98.41	14000	43449
Jun		98.24	+0.07			0	20

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9850	1.83	2.46	1.39	2.74
9900	1.54	2.25	1.60	3.01
9950	1.27	2.04	1.83	3.30

Est. vol. total, Calls 970 Puts 934. Previous day's open int., Calls 16131 Puts 15489

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	83.72	84.06	+0.37	84.30	83.60	33,643	46,754

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-17	100-07	-0-16	100-30	100-02	15364	96752
Jun		99-07	-0-16			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
100	1-28	1-47	1-14	2-33
101	0-61	1-21	1-47	3-07
102	0-37	1-01	2-23	3-51

Est. vol. total, Calls 3604 Puts 2747. Previous day's open int., Calls 28880 Puts 32719

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	79.90	79.86	-0.22	80.24	79.80	2,250	6,278

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-09	98-27	-0-10	99-10	98-24	78,866	344,271
Jun	98-25	98-17	-0-09	98-25	98-14	1,108	13,807
Sep	98-16	98-07	-0-02	98-16	98-07	76	1,735

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.50			108.52	108.41	267	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jan 3	Day's change %	Fri Dec 30	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	118.89	-0.02	119.05	1.84	0.14
2 5-15 years (22)	138.69	-0.22	138.99	2.28	0.00
3 Over 15 years (9)	154.20	-0.34	155.93	1.81	1.19
4 Irredeemables (6)	175.46	-0.64	176.59	1.35	0.00
5 All stocks (61)	135.79	-0.18	136.26	2.08	0.23
Index-linked					
6 Up to 5 years (2)	187.18	-0.10	187.35	1.30	0.00
7 Over 5 years (11)	173.46	-0.60	174.50	0.78	0.00
8 All stocks (13)	173.99	-0.55	174.95	0.83	0.00

	Low coupon yield Jan 3	Dec 30	Yr. ago	Medium coupon yield Jan 3	Dec 30	Yr. ago	High coupon yield Jan 3	Dec 30	Yr. ago
5 yrs	8.73	8.71	5.66	8.73	8.70	5.87	8.94	8.89	5.97
15 yrs	8.61	8.56	6.37	8.74	8.71	6.46	8.95	8.90	6.69
20 yrs	8.55	8.51	6.47	8.74	8.71	6.53	8.87	8.82	6.71
Irred.†	8.60	8.53	6.59						

	Inflation 5% Jan 3	Dec 30	Yr. ago	Inflation 10% Jan 3	Dec 30	Yr. ago
Up to 5 yrs	4.11	4.05	2.13	2.67	2.61	1.30
Over 5 yrs	3.86	3.84	2.90	3.69	3.65	2.72

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 3	Dec 30	Dec 29	Dec 28	Dec 23	Yr ago	High*	Low*
Govt. Secs. (UK)	90.77	90.87	91.03	92.01	91.79	106.91	107.04	89.54
Fixed Interest	109.53	109.55	109.71	109.84	109.84	131.68	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 30	Dec 29	Dec 28	Dec 23	Dec 22
Gilt Edged bargains	51.5	60.7	66.8	75.1	84.4
5-day average	37.2	52.3	54.3	38.8	76.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 3

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88⅛	88⅜	-⅛	8.53
Alberta Province 7⅞ 96	1000	98	98⅜	-⅛	8.24
Austria 8½ 00	400	101¼	101½	-⅛	8.18
Bank Ned Gemeenten 7 99	1000	95⅞	96⅛		8.06
Bank of Tokyo 8⅜ 96	100	100	100⅜		8.32
Belgium 5½ 03	1000	82⅜	82⅝	-¼	8.40
BFCE 7¾ 97	150	99¼	99⅝	+⅛	8.12
British Gas 0 21	1500	10⅞	11¼	-⅛	8.62
Canada 9 96	1000	101¼	101½		7.78
Cheung Kong Fin 5½ 98	500	87⅜	88¼		9.57
China 6½ 04	1000	84¼	84¾	-¼	9.28
Council Europe 8 96	100	99¾	100⅛		8.12
Credit Foncier 9½ 99	300	104⅜	104⅝		8.20
Denmark 5¾ 98	1000	93½	93⅝		8.16
East Japan Railway 6⅝ 04	600	88⅞	89⅛	-⅛	8.40
ECSC 8¼ 98	193	100	100½	-⅛	8.24
EEC 8¼ 96	100	100¼	100½		8.00
EIB 7¾ 96	250	99⅝	100	-¼	7.97
EIB 9¼ 97	1000	102¾	103	-⅛	8.12
Elec de France 9 98	200	101¾	102⅛	-⅛	8.33
Eurofima 9¼ 96	100	101⅛	101½	-⅛	8.17
Ex-Im Bank Japan 8 02	500	98¾	99	-¼	8.22
Export Dev Corp 9½ 98	150	103⅝	103⅞	-⅜	8.24
Federal Natl Mort 7.40 04	1500	95⅛	95⅜	-¼	8.31
Finland 6¾ 97	3000	96⅝	96¾		8.24
Ford Motor Credit 6¼ 98	1500	94¼	94⅝		8.54
Gen Elec Capital 9⅜ 96	300	101½	101¾	-⅛	8.15
GMAC 9⅛ 96	200	100⅝	101	-⅛	8.50
Ind Bk Japan Fin 7⅞ 97	200	98½	99		8.59
Inter Amer Dev 7⅝ 96	200	99⅜	99¾		7.99
Italy 6⅞ 23	3500	78⅛	78⅜	-⅜	9.22
Japan Dev Bk 8⅜ 01	500	100⅛	100½	-⅛	8.34
Kansai Elec Pwr 10 98	350	102	102¼	-⅛	8.18
Korea Elec Power 6⅞ 03	1350	84⅞	85	-⅛	9.11
LTCB Fin 8 97	200	98⅞	99⅛	-⅛	8.62
Matsushita Elec 7¼ 02	1000	94⅝	94⅞	-⅛	8.38
Norway 7¼ 97	1000	98⅜	98⅝	-⅛	8.03
Ontario 7⅜ 03	3000	93⅞	94⅛	-⅛	8.61
Oster Kontrollbank 8½ 01	200	100⅞	101½	-⅛	8.30
Petro-Canada 7¼ 98	200	98⅞	99⅜		8.10
Portugal 5¾ 03	1000	83¾	84	-⅛	8.58
Quebec Hydro 9¾ 98	150	103⅜	103⅞	-⅜	8.63
Quebec Prov 9 98	200	101¼	101¾	+⅛	8.52
Sainsbury 9⅛ 98	150	101¼	101⅝		8.28
SAS 10 99	200	103	103¾	-¼	9.08
SNCF 9½ 98	150	103½	103¾	-⅛	8.29
Spain 6½ 99	1500	93½	93⅝		8.20
State Bk NSW 8½ 96	200	100⅛	100½	-⅛	8.34
Sweden 6½ 03	2000	89¼	89½	-⅛	8.51
Swedish Export 8⅞ 96	700	100¼	100½		8.10
Tokyo Elec Power 6⅛ 03	1000	86½	86⅞	-¼	8.39
Tokyo Metropolis 8¼ 96	200	100⅛	100½	-⅛	8.15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 7¼ 97	5500	100¼	100⅜	-⅛	7.01
Volkswagen Intl Fin 7 03	1000	93⅞	94⅜	+¼	8.02
World Bank 0 15	2000	20¾	21¼	+⅛	7.79
World Bank 5⅞ 03	3000	87⅝	87¾	-⅛	7.86
World Bank 8¾ 00	1250	108⅝	111⅜	-⅛	6.75
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	101½	103	-1½	5.85
Austria 4½ 00	1000	97⅝	97¾	-⅛	5.04
Council Europe 4¾ 98	250	100	100½		4.75
Denmark 4¼ 99	1000	96⅞	97	-⅛	5.00
EIB 6¾ 04	300	107	108	-1	5.79
Elec de France 7¼ 06	100	109	110	-1	6.10
Finland 7¼ 99	300	107	107¾		5.53
Hyundai Motor Fin 8½ 97	100	106	107	+½	6.00
Iceland 7⅞ 00	100	108	109	+1	5.89
Kobe 6⅜ 01	240	104	104¾	+½	5.62
Ontario 6¼ 03	400	102½		+½	5.85
Quebec Hydro 5 08	100	86½	87	-¼	6.55
SNCF 7 04	450	109	109½		5.76
World Bank 5 03	150	97¼	97¾		5.40
World Bank 7 01	600	108	109		5.43
YEN STRAIGHTS					
Belgium 5 99	75000	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6⅝ 00	100000	[illegible]	[illegible]	[illegible]	[illegible]
Finland 6¾ 98	50000	[illegible]	[illegible]	[illegible]	[illegible]
Inter Amer Dev 7¼ 00	30000	[illegible]	[illegible]	[illegible]	[illegible]
Italy 3½ 01	300000	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev Bk 5 99	100000	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev Bk 6½ 01	120000	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 5⅞ 98	50000	[illegible]	[illegible]	[illegible]	[illegible]
Norway 5⅜ 97	150000	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 6¼ 00	30000	[illegible]	[illegible]	[illegible]	[illegible]
Spain 5¾ 02	125000	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 4⅝ 98	150000	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 5¼ 02	250000	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS					
Genfinance Lux 9⅛ 99 LFr	1000	[illegible]	[illegible]	[illegible]	[illegible]
IKB Deut Industbk 8½ 03 LFr	3000	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 8 99 LFr	1000	[illegible]	[illegible]	[illegible]	[illegible]
ABN Amro 6⅝ 00 Fl	1000	[illegible]	[illegible]	[illegible]	[illegible]
Bank Ned Gemeenten 7 03 Fl	1500	[illegible]	[illegible]	[illegible]	[illegible]
AlbertaProvince 10⅛ 98 C$	500	[illegible]	[illegible]	[illegible]	[illegible]
Bell Canada 10⅝ 99 C$	150	[illegible]	[illegible]	[illegible]	[illegible]
British Columbia 10 99 C$	500	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10⅛ 98 C$	130	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 9¾ 99 C$	275	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Capital 10 96 C$	300	[illegible]	[illegible]	[illegible]	[illegible]
KfW Int Fin 10 01 C$	400	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 10¼ 99 C$	200	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 8 03 C$	1500	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Natl Treasury 8 03 £	1000	91½	91¾	-⅛	9.52
Alliance Leics 11⅜ 97 £	100	104¾	105	-¼	8.99
British Land 8⅞ 23 £	150	89¼	89¾	-½	10.39
Denmark 6¾ 98 £	800	93¼	93⅝	+⅛	8.98
EIB 10 97 £	637	102⅝	102⅞	+⅛	8.55
Halifax 10⅜ 97 £	100	102¾	103⅛	-¼	8.89
Hanson 10⅜ 97 £	500	102¾	103⅛	-⅛	9.19
HSBC Holdings 11.69 02 £	153	108½	108⅞	-⅛	10.01
Italy 10½ 14 £	400	105⅝	106	-⅝	9.83
Japan Dev Bk 7 00 £	200	91¼	91⅝		8.99
Land Secs 9½ 07 £	200	97⅝	98	-½	9.83
Ontario 11⅛ 01 £	100	107¼	107½	-⅛	9.50
Powergen 8⅞ 03 £	250	96¼	96⅝	-¼	9.54
Severn Trent 11½ 99 £	150	107½	107⅞		9.36
Tokyo Elec Power 11 01 £	150	107¾	108	+⅛	9.32
Abbey National 0 96 NZ$	100	84¾	85½	-⅛	9.90
TCNZ Fin 9¼ 02 NZ$	75	100¼	101¼	-¾	9.18
Credit Local 6 01 FFr	7000	87¾	87⅞	-⅛	8.42
Elec de France 8¾ 22 FFr	3000	98½	98⅞	-½	8.89
SNCF 9¼ 97 FFr	4000	102⅞	103¼		7.79

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Shorts (Lives up to Five Years)							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

Zeneca sells garden products side for £37m

By Richard Gourlay

Zeneca, the bioscience and agrochemicals company, yesterday announced the sale of its garden and professional products division for £37m.

The division's businesses, including the Weedol, Grasshopper and Pathclear brands, were sold to a new company, Miracle Garden Care, which is also buying the UK operations of Stern's Miracle-Gro Products, a private US company.

In addition to the brands, Miracle Garden Care will acquire assets of about £15m mainly in the form of a production facility at Howden in Humberside.

Advent International and Charterhouse Development Capital are providing £51m to fund the acquisitions, including prepayment of debtors and working capital.

Stern's Miracle-Gro Products will take a third of the equity in Miracle Garden Care in return for merging its European Miracle-Gro business.

Zeneca will continue to provide support in gaining and maintaining product registration on existing and new products in Europe.

The deal started as a straight financial purchase by Advent and Charterhouse into which Zeneca management were later invited. But soon after winning an exclusive period in which to structure the deal, the equity providers decided they needed to reactivate the marketing agreement with Miracle-Gro which would have lapsed.

Miracle-Gro has grown rapidly in the UK from a standing start less than a decade ago. By contrast Zeneca was enjoying only modest growth with a number of its brands.

Mr John Walker, Advent International's European chief executive, said he saw an opportunity to build an international company that combined the best UK brand names in the sector with one of the most successful garden fertiliser marketing companies in the world.

Mr John Wilson, general manager of Zeneca Garden and Professional Products in the UK, will become chief executive of the new company.

Smoothing, but a rough ride expected for rates

The with-profits market faces cuts in bonuses. Debbie Harrison reports

This week General Accident kicked off the with-profits bonus season of results, fulfilling expectations that further cuts in annual and terminal bonus rates were imminent for the vast with-profits savings market.

Over the past five years, about 10m with-profits policies were sold for mortgage repayment, pension and general savings purposes. Pay-outs on with-profit policies amounted to £6bn in 1993 and the estimate is £8bn for 1994.

The bonus declarations for 1994 are set against a background of high-profile industry scandals. Over the past two years, household names such as Standard Life, Norwich Union and Legal & General have been fined by the regulators for poor training standards or compliance issues. Moreover, the reserves of some life offices, already under pressure following poor returns in 1994, will be stretched further by compensation payments for mis-sold personal pensions.

With-profits plans distribute profit through two main channels: the annual or reversionary bonus which, once allocated cannot be withdrawn; and the final or "terminal" bonus which is paid at maturity at the discretion of the life office. Annual returns in particular are "smoothed" to avoid any dramatic fluctuations.

General Accident, which enjoys robust financial health and has 2.25 per cent of the UK life and pensions market, has reduced the yield on its 25 year with-profits endowments maturing on January 1 1995 to 13.5 per cent from 13.6 per cent for policies that matured in January 1994.

On a 10-year contract, the drop in yield from 11.8 per cent to 10.6 per cent for the same period, is more substantial, reflecting the impact of the reduced investment returns and lower inflation of the 1990s. Bonus rates on unitised with-profits business – a modern version of the conventional with-profits plan – remain unchanged at 7.5 per cent for life policies and 9.6 per cent for pension contracts.

With-profits endowments over five years*

Benchmark	% compound over 5 years
With-profits**	8.80
FT-SE 100	8.70
Deposit	6.01
RPI	4.17

*Net annual returns with income reinvested where applicable. **Theoretical returns for a typical with-profits fund with 85 per cent invested in equities and 15 per cent in fixed interest

Source: General Accident

Mr Roger Hill, life analyst at S.G. Warburg, said: "Following the last two years' returns on life office funds, what we are expecting to see is cuts of about 5 per cent on a 10-year contract compared with last year, and 2 per cent on 25-year contracts." General Accident has cut its 10-year contract bonuses by about 8 per cent and its 25-year contracts by between 1 and 2 per cent.

"The extent of the reductions from other life offices will depend on the degree of smoothing, although cuts of more than 10 per cent are unlikely. Moreover, now that long-term interest rates have stopped going down, we should be towards the end of the period of reversionary bonus reductions," Mr Hill added.

Mr David Heslop, GA's marketing manager, stressed that there was no cause for anxiety on the mortgage endowment front. "We anticipate no problems with the ability of our endowment policies to repay mortgage loans when these eventually fall due and we have no plans to write to our policyholders asking them to adjust their premiums."

With-profits business requires life offices to set aside substantial reserves to meet future liabilities in the form of guaranteed payments. For this reason the free asset ratio of with-profits offices is considered very important. Free asset ratio refers to assets in excess of those held to meet liabilities, expressed as a percentage of total assets (see table).

One important development likely to affect future bonus payments is the reduction in profit margins, as life offices enter a period of more competition following the post-January 1 rules on disclosure of charges to prospective investors.

In the past, charges were particularly high in the early years of a long-term contract. Where an investor cancelled during this period most of the investor's premiums would be forfeited. The investor's loss would be the life office's gain and provide a welcome boost to profits.

Mr Nick Dumbreck, partner with Watsons, the consultants and actuaries concern, said: "In future it will be more difficult for life offices to make profits from other sources, such as early surrenders, to subsidise bonus rates."

Torex Hire jumps to £471,000

Torex Hire, which hires out tools, small plant and catering equipment, saw pre-tax profits jump from £97,000 to £471,000 for the year to October 31. Turnover advanced 27 per cent to £5.69m, against by 4.49m.

The company, whose shares are traded on the USM, is planning to move to a full quote. It also plans to change its name to Torex to reflect the increase in its service and sales activities.

Earnings per share advanced to 3.42p (0.67p) and a proposed final dividend of 1p makes 1.3p (0.6p) for the year.

Mr Benjamin Longrigg, chairman, said the tool and small plant hire division, which again accounted for 69 per cent of group business, had seen some confidence returning to the construction industry. The division's sales were up by 26 per cent.

Temporary Toilets achieved the best performance in the group with sales up 45 per cent, and 210 toilets have been added to the fleet to cope with extra business.

However, the fire protection business showed only marginal growth, Mr Longrigg said.

Century slices up Prosperity Financial Services

By Alison Smith

Century Life has bought Prosperity Financial Services from Municipal Mutual Insurance, the local authority-owned insurance company, and has sold two of Prosperity's three subsidiaries to Aberdeen Trust.

Aberdeen said its total payments for the unit trust and investment management subsidiaries would be about £4.1m, and that it had paid Century Life £4m initially. Century would not say how much it paid MMI.

Prosperity's life subsidiary has about 50,000 customers and £250m in assets, while the unit trust arm has about 22,000 unitholders and £180m in assets.

Century's main operation is running closed funds, but Mr Chris Little, managing director, said it would keep Prosperity's links with brokers to bring in new business. It was not looking to compete through independent financial advisers generally but would try to develop what it believed was the "unexploited niche market" of group term assurance policies, where Prosperity had built up "a block of business".

Mr Little said the proportion of Century's income from new business was "minuscule".

Prosperity is the latest of several operations to be sold off by MMI, which has transferred most of its continuing local authority business to Zurich Insurance. Last year it sold its health insurer, Prime Health, to Standard Life.

Century has a client base of 250,000 and more than £1bn under management.

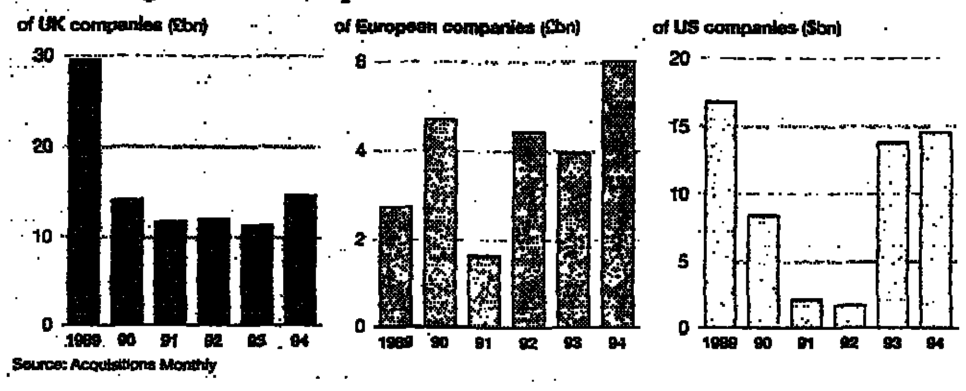
● Abbey National's independent financial advice subsidiary has bought Whiting Pension Services and Whiting Independent Financial Services for a small but undisclosed sum. Both companies specialise in small self-administered pension schemes.

UK companies make £6bn acquisitions on mainland Europe in 1994

Corporate spending gathers pace

By Nicholas Denton

UK mergers and acquisitions



Source: Acquisitions Monthly

Improving economic prospects in Europe are enticing UK companies into a record corporate expansion spree on the Continent.

An analysis released yesterday showed UK companies spent £6.01bn on acquisitions in mainland Europe in 1994, and investment bankers said the flow was gathering pace.

The volume of purchases across the Channel rose by 52 per cent on the year before and exceeded the previous maximum of £4.7bn reached in 1990, according to Acquisitions Monthly magazine.

Commercial Union's £1.48bn acquisition of fellow insurance company Victoire of France headed the list of deals. Five of the top 10 target companies were French.

"The trend has been and will continue to be up," said Mr Matthew Greenburgh, a director at Baring Brothers, the investment bank.

Corporate finance executives based their confidence on the number of bids in the transactions "pipeline", and strengthening confidence about economic prospects.

According to Mr Derek Higgs, head of merchant banking at SG Warburg, "1995 could be quite an active year because economies are recovering on the Continent."

Constraints on expansion in the UK have pushed purchasers further afield. "There just aren't that many targets within the UK," said Mr Higgs.

Simultaneously, German and other European economies are opening up to foreign ownership. "Sellers are less nationalistic and more interested in getting the right price," said Mr Greenburgh.

UK companies are proving well placed to take advantage; the relatively early end of recession in the UK and a wave of rights issues have strengthened their ability to finance expansion.

The cost of finance remains low and the climate for acquisition "conducive", investment bankers said.

Interest rates may have risen since the first quarter of 1994, but spreads for the highest-quality corporate borrowers have narrowed.

Despite the attractions of Europe, UK companies' favourite overseas investment location remains the US, where they spent $14.6bn (£9.3bn) on acquisitions.

Some M&A specialists believed the weakness of the dollar would encourage a burst of activity into the US but the trend remains flat.

Ms Ros Hedley-Miller, joint head of the corporate advisory department at Kleinwort Benson, said: "The next curve that will go up is the Far East."

Kellogg sells Askeys via £10m buy-in

Kellogg Company of Great Britain, part of the US-based Kellogg Company, has sold its Askeys ice cream complements business through a £10m management buy-in deal.

The management team has been led by Mr Alan Jones and Mr Brian Howes, both formerly of Pauls Food Group, the food division of Harrisons & Crosfield.

The buy-in was backed by 3i, the investment capital group, with debt financing provided by the Bank of Scotland.

Askeys, based in Aylesbury, Bucks, is the leading maker and marketer of ice cream biscuits in the UK, with a market share of about 40 per cent; it is also the brand leader in both the cones and wafers sectors. The company, which employs some 150 people, had sales of about £8m in 1993.

Hodder makes £3.5m purchase

By James Whittington

Hodder Headline, the book publisher, has acquired Moa Beckett Publishers of New Zealand for £3.5m cash.

Mr Tim Hely Hutchinson, chief executive, said the purchase of the private interest completed Hodder's aim to be a publisher as well as a distributor in each of its main markets overseas – New Zealand, Australia and South Africa.

Moa Beckett will be merged with Hodder's distribution subsidiary in New Zealand and renamed Hodder Moa Beckett Publishers. Annual sales of about NZ$20m (£8.2m) are forecast, which Mr Hely Hutchinson said would make the group a "clear market leader in the country with significant room for two-way trade with Australia".

Mr Hely Hutchison said the full consideration would be met in instalments over the year following an initial payment of £1.8m.

Hodder Headline broke ranks with most of the UK publishing industry on Boxing Day when it became the second of the big five publishers to pull out of the Net Book Agreement, which prevents discounts on book cover prices.

ICL sells disaster recovery arm

By Paul Taylor

ICL, the UK-based computer group, has sold Guardian Computer Services, its computer disaster and business recovery subsidiary, to a buy-out group backed by ECI Ventures and Banque Paribas.

The price of the deal was not disclosed.

Guardian, which is a leading provider of disaster recovery services, had turnover of about £9m in the year to end-December and has been growing rapidly.

It had been broadening its customer base by developing services for non-ICL computers, making fully independent status desirable.

Guardian is the recommended supplier of disaster recovery services for Data General, Sequent, Sun Microsystems and Pyramid computers, as well as ICL.

It also provides similar services to users of IBM, Digital, Hewlett Packard, Prime and Xerox equipment.

Guardian was a joint venture between ICL and Sherwood Computer Services until last spring when Sherwood sold its 25 per cent interest for £825,000.

Stanhope's battle for survival continues

By Christopher Price

Stanhope, the property developer which had its credit facilities withdrawn more than a week ago, was yesterday continuing its battle for survival with further three-way negotiations taking place between the company, its creditor banks and potential rescuers.

British Land, which holds a 30 per cent stake in Stanhope, has re-emerged as a possible purchaser, having already seen one offer – thought to offer the banks less than 80p in the pound – rejected.

A similar offer from PosTel, the pension fund management group, but involving a rights issue, was also dismissed by the banks, which are owed about £148m. Stanhope's own survival plan, involving a debt standstill for three years, was also deemed unacceptable.

Stanhope shares were suspended on December 23 following a seemingly final breakdown of talks with its banks. However, the company is thought to have taken legal advice on its trading position pending the outcome of the continuing talks.

The company's bankers are also said to be "supportive as they can be" while discussions continue.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Jersey Elect ....fin	24‡	Feb 23	24	38	37
Torex Hire § ....fin	1	Apr 7	0.6	1.3	0.6

Dividends shown pence per share net except where otherwise stated. ‡Gross throughout. §USM stock

NEWS DIGEST

Games move for Really Useful

The Really Useful Group has entered the toys and games market with the launch of the Really Useful Games Company. The move represents an extension of the group's interests in theatre, television, films, music and merchandising.

The group is planning a range of jigsaws, board games and products based on children's character licences to complement the branded merchandise based on its productions and currently sold through theatres.

The range will be launched at the Olympia Toy Fair this month.

Jersey Electricity

The Jersey Electricity Company reported profits of £4.91m before tax for the year to October 2.

The outcome, achieved on turnover of £39.3m (£37.6m), compared with profits last time of £6.02m. Earnings per share emerged at 309p (361p); a maintained gross final dividend of 24p brings the total for the year to 38p (37p).

Sumit disposal

Sumit has sold one of its remaining investments, Power Centre Holdings, to Legrand UK, for about £1m, realising a 4p increase in the fully diluted asset value per share reported at June 30 1994. Further deferred proceeds may be receivable in May dependent on certain contingent events.

Adscene buys

The Adscene Group has added three newspaper and magazine titles to its stable with acquisitions in Kent and Yorkshire for a total of £119,500 cash.

In Kent, the publisher has acquired the goodwill and operating assets of The Word is Out, a fortnightly tabloid leisure and listings publication, and The Summer Diary, an annual leisure-related colour magazine, for £61,500. Their combined revenue is £160,000.

In York, it has paid £58,000 for the title, goodwill and operating assets of York Journal's What's On, which it intends to integrate with The Scene, recently purchased from York Advertiser. The title's annual revenue is £250,000.

Adscene now publishes 47 titles.

Ugland Intl

Ugland International, the ship owner, ship manager and dry dock operator, said its shares had been delisted from the Oslo Stock Exchange.

The company, formerly Bristol Channel Ship Repairers, retains its London quote.

Elan NYSE listing

Elan Corporation, the Irish-based drugs company 75 per cent owned by US investors, has gained a partial listing on the New York Stock Exchange.

The NYSE has approved the application to list the company's ADRs, warrants and liquid yield option notes; trading began yesterday.

These securities previously traded on the American Stock Exchange, where the Units of Advanced Therapeutic Systems will continue to trade.

Maurice Saatchi's letter to staff

TO EVERYONE AT SAATCHI

For twenty-five years I have had the privilege of working with you to create and build Saatchi & Saatchi.

Throughout those years, your loyalty to the Company in both good and hard times made me feel uniquely blessed.

The letters so many of you have sent me during the past week, urging me to stay as Chairman of Saatchi & Saatchi Advertising, have been inspiring. I will always treasure them.

So it is with sadness that I must tell you I cannot accept the offer of that position, and instead must sever my connections with the Company we have built together. You deserve to know the reasons: Saatchi & Saatchi has been taken over. No bid for the Company has been announced. No offer has been made. No premium has been paid. No shareholder vote has been taken. But, make no mistake, Saatchi & Saatchi is under new control.

The new "owners" – a group of shareholders owning around 30 per cent of the shares – have found a simple, if crude, method of controlling the Company. By threatening the Directors with an Extraordinary General Meeting – at which they could outvote others – they have given the Directors their orders: "Take your Chairman into a corner and shoot him quickly – we don't want the fuss of a public trial."

I have watched in dismay as some of our longest client relationships have been jeopardised, the wishes of key clients ignored, and the loss of their business assessed as "a price worth paying".

I have listened in despair as the views of leading executives of this Company were dismissed as "irritating" and "irrelevant".

And, for the first time in 25 years, found myself in an advertising company where the term "advertising man" was being used as an insult.

I have observed how, after seeing the value of their shares rise by 17 per cent since the spring against a 2 per cent fall for the FT-SE 100 Index, this shareholder group nevertheless went ahead and plunged the Company into a period of uncertainty and instability.

A period in which the Directors now face a lawsuit from other shareholders for breach of fiduciary duty, and in which all shareholders lost in just five days half the share price gain we have painstakingly won since the spring.

How could I help to strengthen our relationships with our clients when, in the perverse logic of our new "owners", loyal client relationships are not understood to be the Company's great asset?

How could I reassure you of your critical importance to the Company, when the views of so many of the most respected among you have been ruthlessly brushed aside?

This enforced parting grieves me deeply.

Yet I look forward to 1995 with great anticipation. Because, as we have always believed at Saatchi & Saatchi... Nothing is impossible.

With every good wish,
Maurice Saatchi
3rd January 1995

COMMODITIES AND AGRICULTURE

Official gold sales 'drop dramatically' in 1994

By Kenneth Gooding, Mining Correspondent

Gold sales by central banks and other official sector organisations dropped "dramatically" in 1994, reports the Gold Fields Mineral Services consultancy group today.

There was a similarly sharp fall in producer hedging, it says in its latest report.

These substantial reductions in gold supply would have had a much more noticeable impact on the gold price last year had it not been for a complete reversal in the attitude of private investors. Their buying in 1993 was a major factor pushing up the gold price that year but during 1994 there was instead "a sustained and substantial level of disinvestment".

Other components of the gold market showed relatively little change last year. GFMS estimates that gold mine production advanced by only 1 per cent while scrap supply fell by about the same amount. On the demand side, jewellery fabrication is estimated to have fallen by just over 1 per cent.

GFMS, whose sole shareholder is Gold Fields of South Africa, says that its initial estimates of official sector sales should not be taken too literally because of the big uncertainties in establishing their true level. Nevertheless, the indications are that net sales from the official sector, of 46 tonnes in 1994, were only one tenth of those seen in the previous two years.

Once again Canada was the principal seller but even its sale of 66 tonnes in the period from January to November was 39 tonnes less than it sold in the same months of 1993. "At the 1994 average rate of disposals, the Canadians would have sufficient reserves for another 20 months of sales, although it is thought unlikely that they will decided to sell all of their remaining holdings," GFMS points out.

It suggests that there were also substantial sales by Uzbekistan but, in contrast, Russia may have increased its gold reserves last year.

Gold supply from producer hedging was at its lowest level last year since this component first became important in the early 1980s, says GFMS. However, there was a reappearance of forward sales in the second half of 1994, reflecting "a substantial increase in positions in Australia and North America offset by a reduction in positions held by South African producers".

GFMS estimates that private investors contributed a net 218 tonnes to gold supply last year whereas in 1993 they helped on the demand side by investing in 321 tonnes. The main influence on investor sentiment were the US interest rate increases which diverted funds from gold because of the resulting higher returns in the money markets. The rate rises also indicated the determination with which the US authorities intended to tackle inflation. GFMS adds: "Doubts about gold's ability to break through the perceived US$400 a troy ounce price barrier then led to the liquidation of many of the long positions which had been established by the end of 1993."

Gold 1994 – Update II: £100 or US$150 from GFMS, Greencoat House, Francis Street, London SW1P 1DH, UK.

Gold Supply and Demand (tonnes)

	1993	1994*		1993	1994*
Supply			Demand		
Mine production	2,280	2,304	Fabrication		
Official sales	519	46	Jewellery	2,501	2,469
Old gold scrap	535	531	Electronics	183	191
Forward sales	210	30	Official coins	119	72
			Other	183	189
			Bar hoarding	137	188
			Gold loans	65	47
Option hedging		28	Option hedging	35	
Disinvestment		218	Investment	321	
Total	3,544	3,156	Total	3,544	3,156

Source: Gold Fields Mineral Services. * = estimated

An Oxford history of agriculture

The annual conference has reflected farming's changing preoccupations over 60 years

FARMER'S VIEWPOINT

By David Richardson

Tomorrow morning at 9.15am several hundred assorted farmers, landowners, consultants, accountants, land agents, agricultural attaches, press reporters and others will be called to order in the examination rooms of the University of Oxford at the start of the first formal session of the 49th Oxford Farming Conference.

Widely acknowledged as the UK's most prestigious annual agricultural conference, it has a history that in fact extends over almost 60 years – the first conference was held in January 1936. The second world war and its aftermath broke the sequence but the event was revived in 1951 and has been held every year since; every year, that is, except 1968 when a foot and mouth epidemic among Britain's cloven hoofed animals caused the conference to be called off in order to avoid the possibility of further spread of the virus from farmer to farmer, and thence to their livestock. Even then, however, copies of the papers that would have been delivered were posted to those who would have attended.

Almost from the beginning, papers delivered at Oxford were considered worthy of record and publication; which provided Tony Giles, the author of a new book about the conference in anticipation of both its golden (by number of events) and diamond (by the number of years since it began) jubilees, a rich source of material. The book, which claims to be "a celebration" rather than a history, is entitled "See You at Oxford".

That title reflects the fact that the self-appointed elite of British agriculture deem it a major gap in their lives if they fail to attend. Indeed, animated discussion during breaks between papers, over meals and in the bars, are regarded by many delegates as of at least equal value to the content of the conference itself.

Nevertheless, the titles and themes adopted each year by an ever-changing but virtually self-selecting conference committee provide fascinating insights into the changing preoccupations of a constantly developing industry.

Back in 1938 the first conference concentrated on "Mechanisation in mixed farming". Machines were only just beginning to replace horses and in recognition of this one paper examined "The place of the horse in mixed farming". But the forward-thinking Oxford audience also listened to papers on "The tractor on the small farm", and "Small combines" (harvesters) which were very much in their infancy. The following year, one prominent farmer told of "My first year with combine harvesters".

Practical farming and new and emerging techniques were what the audience came to learn about in those first few years. The maintainance of fertility, the place of silage and mechanised weed control (this, remember, was before the days of chemical control of weeds) featured prominently on the programmes.

Very soon the organisers began to consider subjects that were ahead of their time but have been perennials ever since. As early as 1939 a theme of "The business organisation of farming" was adopted, with papers on various aspects of training. And from the time the conference re-started in 1951 there were regular papers on productivity, as contrasted to mere production, and financial management techniques, which were entirely new to most farmers.

As early as 1954 the words "Competitive market" appeared on the Oxford conference programme and as farming itself became more and more politicised the event, too, developed beyond its practical roots to reflect the changes, although a practical element was (and still is) always included.

Ministers of agriculture and presidents of farmers' unions became regular speakers; and when talk turned to the Common Market and the possibility of Britain joining it, the conference audience was swelled by representatives of other countries – a trend that has continued and expanded as agriculture has become steadily more international.

Over the years a few conferences had taken a slightly negative approach – in 1975 the overall theme was "Farming for survival". But these days the organising committee tries to be positive in its themes by the use in the title of such words as "opportunities" "prosperity" and "adapting" to changes that lie ahead. They have no control, however, over the all-important discussions on the papers, which sometimes ignore the organisers' plans and hark back to outdated demands for more cash from the government.

This week, as reform of the European Union's common agricultural policy enters its final phase, and with further measures resulting from the Uruguay Round settlement of General Agreement on Tariffs and Trade scheduled to come into force in 1996, the Oxford conference is entitled "Time to take stock". The director-general of the Gatt himself, Dr Peter Sutherland, will be opening the conference and the UK minister of agriculture, Mr William Waldegrave will speak towards the end of the second day. The final session will feature Mr Hugh Duberly, president of the Country Landowners' Association, Sir David Naish, president of the National Farmers' Union, and Mr Christopher Haskins, chairman of Northern Foods.

With many other excellent speakers in between it should be a good conference.

See you at Oxford, by Tony Giles, is published jointly by The Oxford Farming Conference and The Department of Agricultural Economics and Management, the University of Reading. It is available at the conference for £6 or by post from the conference secretary – price £9.40.

Energy agency sees wood as best renewable oil substitute

By Alison Maitland

Wood crops may offer greater energy and environmental benefits than arable crops at a lower cost, according to a report by the International Energy Agency.

The report, which examines biofuel development in the Organisation for Economic Co-operation and Development, says fuel from crops such as maize and oilseed rape could help reduce dependence on oil, provide renewable energy, cut greenhouse gas emissions and keep farmland in production.

"However, all of them are very expensive means of addressing these policy objectives," it says.

Oil prices would have to approach $50 per barrel for biofuels to become a cheaper alternative, the report argues. "Even with exemptions from existing taxes, biofuels are more expensive than the fuels they replace. If they can be marketed, it is likely to be on the basis of their promotion as 'green' or 'environment friendly' products."

Producing ethanol from sugar beet, which yields the most transport fuel per hectare, would probably maximise the amount of oil that could be displaced, it says. But this is also the most costly of the arable crop fuels to produce.

"The only liquid biofuel giving a similar yield is methanol produced from wood, which would also be one of the lowest cost liquid biofuels, but the technology for this process has not yet been demonstrated."

The IEA says developments in crops and processing technology could reduce the costs of biofuels, and it advocates further research in these areas.

But it concludes that, in the short term, the production of electricity from wood can make a greater contribution to most of the policy objectives than liquid biofuels from crops, even though this will do little to reduce dependence on oil.

"The cost of supporting the use of agricultural land to produce wood for electricity generation would probably be lower than current agricultural supports, and much lower than the cost of supporting the production of liquid biofuels from food crops," it says.

Wood production is also likely to have significant advantages over food crop production for fuel if the aim is to move towards less intensive farming.

"Energy forestry requires lower agrochemical inputs than arable crop production and can result in less soil erosion, nitrate pollution, watershed disruption and other impacts associated with intensive agriculture."

Biofuels, available from OECD Publications, 2 rue André Pascal, 75775 Paris Cedex 16, France.

MARKET REPORT

Aluminium prices hit 4¼-year highs

ALUMINIUM prices performed strongly yesterday at the London Metal Exchange, reaching the highest levels since October 1990 before running into the inevitable late profit-taking, traders said.

They attributed the rise to speculative buying and investment fund interest triggered when the three months delivery price broke stubborn resistance around $2,000 a tonne.

COPPER, meanwhile, struggled to hold above $3,000 a tonne and a mid-afternoon rally was wiped in after hours "kerb" trading.

NICKEL trading was erratic as the market followed the fluctuations in copper, although prices were supported below $9,000 a tonne.

At the London commodity Exchange COFFEE futures were down despite ending near the day's highs. Traders said the market offered mixed messages, with speculators and funds both apparently buyers and sellers at various levels.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2012-3	2038-9
Previous	1951-2	1977-7.5
High/low	2977/2976	2045/1980
AM Official	1976-7	2004.5-5.0
Kerb close		2032-3
Open int.	240,556	
Total daily turnover	67,702	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1910-15	1950-5
Previous	1867-70	1910-20
High/low		1955/1930
AM Official	1890-5	1930-5
Kerb close		1945-55
Open int.	2,656	
Total daily turnover	222	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	658-9	676-7
Previous	650-1	669-9.5
High/low		677/670
AM Official	653-4	672.5-3.5
Kerb close		674-75
Open int.	42,658	
Total daily turnover	7,128	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8855-65	9100-10
Previous	8860-70	8990-9000
High/low		9120/8990
AM Official	8887-90	9020-25
Kerb close		9040-50
Open int.	59,191	
Total daily turnover	12,786	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6070-80	6170-5
Previous	6010-20	6110-5
High/low		6200/6110
AM Official	6010-20	6110-15
Kerb close		6130-40
Open int.	21,209	
Total daily turnover	5,352	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1149.5-50.5	1175.5-6.0
Previous	1134-5	1158-9
High/low	1136	1178/1162
AM Official	1136.5-7.0	1163-4
Kerb close		1168-8.5
Open int.	102,651	
Total daily turnover	25,368	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	3021.5-2.5	3018-9
Previous	3039-40	3028-9
High/low	3004/3000	3030/2990
AM Official	3005-6	3004-5
Kerb close		2997-8
Open int.	229,798	
Total daily turnover	71,048	

■ LME AM Official £/$ rate: 1.5618
LME Closing £/$ rate: 1.5660

Spot:1.5630 3 mths:1.5627 6 mths:1.5624 9 mths:1.5619

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	135.60	-4.75	140.50	134.90	2,418	198
Feb	134.60	-4.50	133.70	133.70	824	9
Mar	133.70	-4.90	139.20	133.50	29,896	3,680
Apr	130.75	-4.15	135.20	135.20	891	3
May	129.20	-3.40	132.90	128.20	4,609	461
Jun	128.95	-2.45	-	-	831	32
Total					49,948	5,323

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	380.10-380.50	
Opening	382.10-382.50	
Morning fix	381.40	244.315
Afternoon fix	380.80	243.823
Day's High	382.20-382.60	
Day's Low	379.50-379.90	
Previous close	382.50-383.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....5.04 6 months 6.04
2 months ....5.19 12 months 6.65
3 months 5.43

Silver Fix	p/troy oz.	US cts equiv.
Spot	309.85	484.15
3 months	314.35	491.10
6 months	319.80	499.60
1 year	332.10	518.50

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	245-248
Maple Leaf	391.35-393.85	-
New Sovereign	89-92	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	379.6	-3.5	-	-	-	-
Feb	380.9	-3.5	383.4	380.7	81,405	6,371
Mar	382.9	-3.6	-	-	-	-
Apr	384.9	-3.5	387.5	384.8	14,669	489
Jun	389.1	-	391.8	389.0	21,723	653
Aug	393.7	-3.5	-	-	13,023	226
Total					176,872	7,985

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	411.3	-3.4	415.0	409.9	1,005	931
Apr	415.8	-5.4	420.5	415.5	19,376	2,378
Jul	420.3	-5.6	425.5	421.5	2,443	428
Oct	424.5	-5.6	-	-	828	-
Jan	428.2	-5.6	-	-	116	-
Total					23,768	3,737

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	160.70	+0.45	161.25	159.50	6,372	221
Jun	161.95	+0.45	-	-	852	23
Sep	162.95	+0.45	-	-	143	-
Dec	163.95	+0.45	-	-	11	-
Total					7,378	244

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	472.1	-15.3	481.5	481.5	98	59
Feb	472.9	-15.5	-	-	1	24
Mar	476.2	-15.5	489.0	472.0	71,557	7,667
May	482.2	-15.5	494.5	477.0	11,011	369
Jul	488.7	-15.6	500.5	485.0	7,442	102
Sep	495.3	-15.7	505.5	494.0	9,699	40
Total					130,451	8,367

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	17.65	-0.11	17.82	17.57	86,448	22,929
Mar	17.61	-0.10	17.79	17.55	56,027	12,408
Apr	17.65	-0.08	17.77	17.60	22,884	2,364
May	17.66	-0.09	17.76	17.65	13,421	558
Jun	17.75	-0.02	17.78	17.74	26,589	4,225
Jul	17.73	-0.07	17.84	17.73	13,451	1,968
Total					354,418	48,471

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	16.28	-0.22	16.46	16.28	84,342	7,245
Mar	16.30	-0.17	16.48	16.30	29,555	3,384
Apr	16.33	-0.20	16.50	16.33	14,168	438
May	16.38	-0.16	16.52	16.38	6,945	91
Jun	16.43	-0.11	16.54	16.43	7,878	7
Jul	16.44	-0.19	16.59	16.43	4,484	35
Total					166,826	11,190

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	50.65	-0.58	51.60	50.40	48,040	19,268
Mar	50.35	-0.55	51.26	50.10	25,138	6,840
Apr	49.80	-0.45	50.40	49.50	15,418	1,007
May	49.25	-0.45	49.70	49.10	8,203	935
Jun	48.95	-0.45	49.40	48.85	7,279	3,433
Jul	49.20	-0.30	49.57	49.00	7,573	269
Total					132,743	47,196

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	145.50	-2.25	148.75	145.25	34,848	8,634
Feb	148.25	-2.00	151.25	148.25	30,035	5,270
Mar	150.50	-1.50	152.25	150.25	12,687	1,220
Apr	150.50	-1.25	152.50	150.50	4,786	161
May	150.75	-1.50	152.76	150.75	2,046	179
Jun	151.50	-1.50	153.25	151.50	8,028	1,039
Total					98,913	17,522

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	1.760	+0.035	1.795	1.745	27,926	6,342
Mar	1.760	+0.027	1.790	1.750	17,632	1,861
Apr	1.715	+0.022	1.739	1.710	9,778	482
May	1.710	+0.022	1.730	1.705	9,483	387
Jun	1.715	+0.014	1.735	1.715	8,091	287
Jul	1.725	+0.010	1.745	1.720	9,123	237
Total					133,834	11,425

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	53.30	-0.48	53.80	53.20	19,878	9,839
Mar	53.15	-0.37	53.50	53.10	10,195	2,536
Apr	55.90	-0.48	56.25	55.75	10,786	1,045
May	55.30	-0.48	55.75	55.30	5,742	351
Jun	55.45	-0.43	55.80	55.45	1,411	37
Jul	56.00	-0.53	55.80	56.00	1,190	35
Total					53,203	23,843

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	108.20	-0.60	108.60	108.25	780	7
Mar	109.30	-0.60	109.65	109.40	1,722	32
May	111.25	-0.55	111.55	111.30	1,872	15
Jul	113.00	-0.80	113.00	113.00	313	5
Sep	98.00	+0.50	97.80	97.80	80	1
Nov	99.90	-0.05	99.00	99.00	1,189	22
Total					6,680	82

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	395/4	-6/0	402/6	395/0	42,865	6,575
May	372/4	-4/2	378/4	372/0	7,997	829
Jul	342/2	-5/2	350/0	342/0	15,203	1,043
Sep	347/6	-4/6	353/4	347/6	839	26
Dec	359/0	-3/4	359/0	359/0	310	10
Mar	369/0	-5/0	-	-	5	-
Total					67,232	8,483

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	228/4	-3/4	231/0	228/0	119,404	14,525
May	235/6	-2/4	238/0	235/2	53,949	4,105
Jul	240/6	-2/4	243/2	240/4	60,537	3,765
Sep	244/6	-1/6	246/4	244/4	5,778	325
Dec	248/0	-1/0	249/2	247/6	34,068	1,658
Mar	254/6	-1/0	256/0	254/6	3,146	129
Total					289,500	24,626

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	103.50	-0.50	-	-	242	-
Mar	105.50	-0.30	-	-	257	-
May	107.75	-	-	-	69	-
Sep	95.75	-	-	-	30	-
Nov	97.50	-	-	-	65	-
Jan	98.90	-	-	-	-	-
Total					663	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	547/6	-3/0	551/0	547/2	10,782	10,267
Mar	557/6	-3/6	561/4	557/2	54,236	24,364
May	568/0	-3/0	571/6	567/0	23,584	2,788
Jul	574/0	-2/6	577/6	573/4	28,748	3,399
Aug	577/0	-3/0	580/6	578/6	2,319	173
Sep	579/6	+0/6	582/0	579/0	1,981	271
Total					135,409	42,865

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	29.28	-0.55	29.75	29.05	15,867	4,117
Mar	27.75	-0.52	28.30	27.52	46,409	6,098
May	26.38	-0.42	26.78	26.30	22,268	1,239
Jul	25.71	-0.22	25.95	25.58	12,989	1,358
Aug	25.40	-0.10	25.50	25.30	2,803	95
Sep	24.95	-0.10	25.25	24.95	3,222	378
Total					114,841	13,659

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	153.2	-	154.0	152.5	5,360	8,207
Mar	156.8	-	157.3	155.9	38,634	18,997
May	160.7	-0.7	161.6	160.2	17,936	5,812
Jul	165.3	-	165.8	164.7	13,822	1,528
Aug	167.3	-	167.5	166.8	3,698	451
Sep	169.4	-	170.0	168.8	2,392	524
Total					92,482	36,827

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	250.0	-	-	-	-	-
Apr	284.4	+7.1	284.0	280.0	1,434	69
May	305.5	-	-	-	7	-
Jun	250.0	-	-	-	-	-
Total					1,441	69

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2030	-18	2060	2020	862	84
Feb	2025	+10	2060	2050	238	7
Mar	2015	-20	2055	2015	156	61
Apr	1930	-14	1990	1930	1,546	68
Jul	1720	-10	1760	1720	478	83
Oct	1760	+10	1775	1755	148	57
Total					3,428	358

	Close	Prev
BFI	1984	1969

Wool

The Australian market closed 1994 with prices about 50pc higher than when the year began. The rise for wool growers was enough to mean a return to economic production after the extremes of deep recession. The wool trade and textile industry experienced a much more satisfactory year as prices took an upward trend. The problem which developed during the latter half of the year was that of passing on the higher raw wool prices. Lower levels led to better business but when it comes to replacement retailers were reluctant to pay prices up by 50pc to 100pc or for speciality fibres by more than that. Wool is not the only commodity facing this problem of a rising market at the primary end but resistance further down the line, closely related to policies designed to check inflation. The outlook for 1995 is seen as difficult largely for this reason.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	971	-4	972	963	42,996	6,381
May	967	-4	968	960	19,218	390
Jul	976	+1	978	970	7,445	133
Sep	986	+1	986	979	13,130	528
Dec	997	-	996	992	12,231	621
Mar	1007	-	1006	1004	9,833	40
Total					N/A	8,199

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1294	+14	1296	1277	33,517	7,084
May	1313	+16	1314	1294	12,124	536
Jul	1334	+16	1331	1316	6,744	670
Sep	1354	+16	1348	1343	2,277	283
Dec	1384	+16	-	-	4,536	-
Mar	1409	+16	-	-	6,739	-
Total					73,198	8,575

■ COCOA (ICCO) (SDR's/tonne)

Dec 30	Price	Prev. day
Daily	973.87	988.15

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2698	-67	2712	2670	1,158	540
Mar	2755	-67	2775	2705	13,829	1,731
May	2733	-63	2751	2690	5,925	326
Jul	2733	-40	-	-	2,195	-
Sep	2733	-35	-	-	2,890	-
Nov	2728	-40	-	-	561	-
Total					26,361	2,597

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	167.75	-1.10	168.30	165.35	15,939	3,974
May	169.15	-1.15	169.70	166.75	8,485	827
Jul	170.20	-1.15	170.80	169.00	3,428	212
Sep	170.75	-0.25	171.00	169.10	2,164	192
Dec	170.50	-	171.25	170.00	2,718	155
Mar	169.90	+0.40	170.75	170.75	245	1
Total					33,089	5,331

■ COFFEE (ICO) (US cents/pound)

Jan 2	Price	Prev. day
Comp. daily	-	152.26
15 day average	-	148.15

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	15.57	+0.46	-	-	480	-
May	15.65	+0.44	-	-	860	-
Jul	14.92	+0.29	-	-	300	-
Oct	12.50	-	-	-	-	-
Total					1,640	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	417.90	-7.40	418.50	412.00	13,258	741
May	411.10	-5.60	412.00	406.30	5,497	306
Aug	397.30	-3.70	398.00	393.50	4,546	176
Oct	367.60	-2.30	368.00	365.50	1,658	30
Dec	360.60	-2.30	361.50	360.00	126	12
Mar	357.60	-1.70	-	-	229	-
Total					25,364	1,265

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	15.39	+0.22	15.41	15.14	89,008	7,680
May	15.43	+0.18	15.44	15.20	36,772	3,239
Jul	14.93	+0.08	14.94	14.80	25,158	1,277
Oct	13.89	+0.01	13.92	13.82	27,813	1,160
Mar	13.22	+0.05	13.22	13.12	6,800	365
May	13.10	+0.10	13.12	13.00	2,095	2
Total					188,536	13,932

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	88.35	-2.00	89.95	88.35	32,448	2,550
May	87.98	-2.00	88.50	87.98	14,482	1,837
Jul	86.16	-2.00	87.80	86.16	9,394	1,284
Oct	77.70	-0.50	78.05	77.50	2,286	254
Dec	73.05	-0.40	73.40	72.90	9,098	1,078
Mar	73.65	-0.25	74.05	73.90	118	30
Total					68,214	7,033

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	107.35	+0.05	108.25	105.60	1,664	170
Mar	111.90	+0.15	113.20	110.10	15,467	4,393
May	115.50	+0.75	116.00	113.50	2,249	408
Jul	118.80	+1.05	119.00	118.50	1,046	41
Sep	121.80	+0.80	121.80	121.00	2,535	-
Nov	121.80	+1.80	-	-	1,806	-
Total					23,562	5,812

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 3	Dec 30	month ago	year ago
2239.5	2242.1	2166.2	1679.1

■ CRB Futures (Base: 1967=100)

Dec 30	Dec 29	month ago	year ago
236.64	236.36	227.71	226.31

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.300	+0.625	73.600	72.475	31,291	7,026
Apr	73.575	+0.675	73.750	72.950	25,084	3,820
Jun	67.850	+0.325	67.700	67.225	8,571	2,620
Aug	65.150	+0.350	65.250	64.750	3,651	577
Oct	65.475	+0.425	65.475	65.100	361	36
Dec	66.350	+0.725	66.400	65.750	23	7
Total					70,901	14,306

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	39.250	-0.100	39.700	39.050	14,705	3,443
Apr	40.075	+0.175	40.300	39.800	10,484	2,520
Jun	45.400	+0.225	45.600	45.250	5,827	1,245
Aug	44.975	+0.275	45.075	44.750	1,436	382
Oct	42.800	+0.050	43.150	42.750	1,787	269
Dec	43.750	+0.050	43.750	43.550	1,412	206
Total					38,217	8,292

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	41.750	+0.375	41.950	40.900	6,732	1,352
Mar	42.125	+0.225	42.350	41.350	1,660	332
May	43.250	+0.150	43.350	42.600	619	171
Jul	44.200	+0.125	44.400	43.600	654	189
Aug	42.875	-0.375	43.500	42.500	278	60
Feb	50.400	+0.600	50.400	-	27	8
Total					9,979	2,110

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1900	192	211	63	112
1950	162	186	82	135
2000	136	162	104	160
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
2800	229	132	45	130
2900	164	91	78	186
3000	112	61	124	252
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
2600	237	290	82	157
2650	206	263	101	180
2700	178	238	123	205
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
925	60	77	14	35
950	44	63	23	46
975	31	50	35	58
■ BRENT CRUDE IPE	**Apr**	**Jul**	**Apr**	**Jul**
1600	60	90	30	53
1650	38	66	58	79
1700	24	46	94	109

LONDON SPOT MARKETS

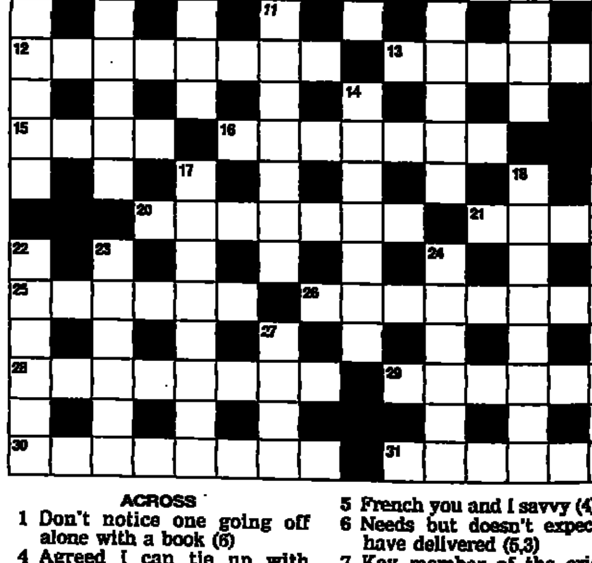
■ CRUDE OIL FOB (per barrel/Feb)		+or-
Dubai	$15.76-5.88u	-0.255
Brent Blend (dated)	$15.87-5.89	-0.315
Brent Blend (Feb)	$16.22-6.24	-0.255
W.T.I. (1pm est)	$17.52-7.54u	-0.235
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$163-165	-1
Gas Oil	$147-148	-1
Heavy Fuel Oil	$109-111	+5
Naphtha	$160-163	
Jet fuel	$165-167	-1
Diesel	$151-153	-2
Petroleum Argus. Tel. London (071) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$380.30	-2.45
Silver (per troy oz)♣	474.5c	-13.5
Platinum (per troy oz.)	$416.15	-0.35
Palladium (per troy oz.)	$158.75	
Copper (US prod.)	143.0c	
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.22m	+0.02
Tin (New York)	282.5c	-3.0
Cattle (live weight)†	120.94p	-1.86*
Sheep (live weight)†♦	119.10p	+0.81*
Pigs (live weight)	80.76p	+11.33*
Lon. day sugar (raw)	$385.00	+3.00
Lon. day sugar (wte)	$418.50	+2.70
Tate & Lyle export	£349.00	+3.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	107.00	
Rubber (Mar)♥	107.50	
Rubber (KL RSS No1 Jul)	391.5m	+3.5
Coconut Oil (Phil)§	$665.0y	-2.5
Palm Oil (Malay.)§	$715.0u	
Copra (Phil)§	$444.0q	
Soyabeans (US)	£173.0z	
Cotton Outlook'A' index	91.90	
Wooltops (64s Super)	478p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. u Feb. q Jan/Mar ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,651 Set by ALAUN



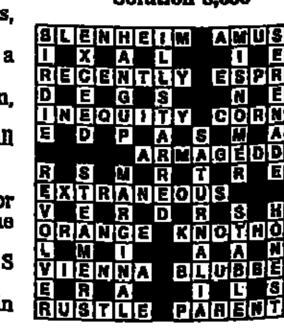
ACROSS

1 Don't notice one going off alone with a book (6)
4 Agreed I can tie up with string (2,6)
9 Fish at Land's End and put on the line as bait (6)
10 How you know for a fact there's no water shortage? (4,4)
12 Think the lady outside is shaking with laughter (8)
13 Get a whiff going up (6)
15 The attraction of a gun battle? (4)
16 Not all who stray, anyway (7)
20 Haggled with, but paid for (7)
21 Butter up the biscuit (4)
25 Where you listen, engrossed, to the gypsy telling your future? (6)
26 Go on, on cue, holding out the box (8)
28 A leisurely drink, doubtless, inside (8)
29 The fish is fresh trout with a little bread stuffing (6)
30 Having opposed, is leant on, emerging (8)
31 Join forces with again in all seriousness (6)

DOWN

1 You won't have to search for them high and low on the map (8)
2 Unusual in not having an S on the end? (8)
3 The friends got sea sick in turn (6)
5 French you and I savvy (4)
6 Needs but doesn't expect to have delivered (5,3)
7 Key member of the cricket team? (6)
8 Deal with a character fault (6)
11 Competed, too, but was beaten in the race (4-3)
14 Become positive as you elaborate on the theme (7)
17 Who, me? (8)
18 He likes to see people tastefully dressed (8)
19 Lineage any crest will reveal (8)
22 One of the less intelligent devices for light control? (6)
23 Wanders about but doesn't go right into (6)
24 Get your ear accustomed to a song you're hearing (6)
27 Only the matron is French (4)

Solution 8,650



LONDON STOCK EXCHANGE

MARKET REPORT

Takeover hints rescue equities after early loss

By Steve Thompson

Exceptionally low volumes and a minor move in the FT-SE 100 Index tended to mask what was an intriguing first trading session in 1995 in the UK equity market.

The market's resolve was given a severe testing by widespread weakness in bunds, gilts and bond markets, and fresh worries about potential rises in interest rates in the US and the UK.

The latest economic news from the US, the National Association of Purchasing Management business activity index, which dropped to 57.8 in December from November's 61.2, gave no cause for concern in the markets. But dealers expressed fears that the key prices component, which rose to its highest level since March 1980, could provide the Federal Reserve with more ammunition to support a further increase in interest rates.

Adding to the general discomfiture across global markets was the continued conflict in Chechnya and persistent worries about the recent terrorist activities in France.

But the market was always receptive to "good news stories", especially those involving potential takeover moves, and there was no shortage of those circulating in the market yesterday, mostly involving the electricity stocks but also in other less fashionable sectors.

Nevertheless, the FT-SE 100-share Index managed to creep into positive territory a few minutes before the official close of trading, with dealers noting increasing talk of takeover bids and the potential for a sharp expansion in volume as the reasons behind the late rally.

At the close the FT-SE 100 was up 0.2 at 3,065.7. The second-line stocks fared less well, however, with the FT-SE Mid 250 Index settling 5.6 lower at 3,496.2.

There were constant grumbles from marketmakers about the dismal level of business in the market, after the Christmas and New Year holidays. Many brokers extended their holiday break, while many fund managers were locked in discussions over their strategic targets for 1995.

Turnover in equities reached a disappointing 313m shares, given that the City's trading desks were apparently back to full strength. Non-Footsie stocks made up 59 per cent of the total.

The trading session began on a quiet note, with marketmakers easing their opening quotations and seeking to drum up business. After the opening mark-down it was the turn of the futures market to dictate events, and pressure of the Footsie future was responsible for driving the cash market down to the day's eventual low point of 3,050.6, off almost 15 points within an hour of the opening.

Some solid support for the future and the underlying stocks emerged towards midday, prompted by better than expected M0 money supply figures and a satisfactory UK purchasing managers' index.

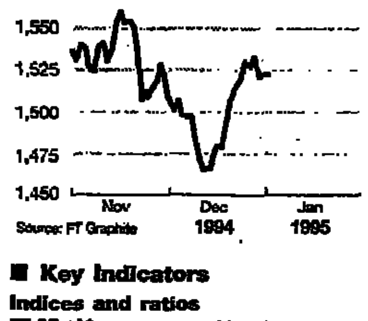
But with bonds, bunds and gilts slipping away in mid-afternoon, following the NAPM news from the US, the London equity market fell again, before embarking on its late rally.

The bid stories were mostly focused on the utilities and especially in the recs, where Eastern was pinpointed as both a potential predator for one of the smaller recs and a potential takeover target. South Wales, London and Yorkshire were also seen as attractive propositions for a bidder or bidders. Hanson was mentioned as having had a hard look at Yorkshire.

Dealers also pointed out that there was a strong possibility that Trafalgar House's bid for Northern Electric would be referred to the Monopolies Commission. "Whatever happens, there is going to be some big action either way in the recs," said the head of marketmaking at one big London securities house.

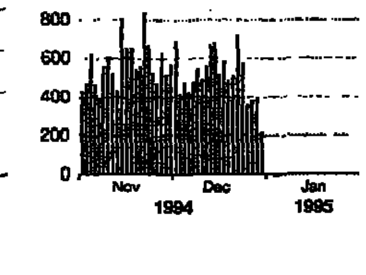
Hints that Nestlé, the Swiss foods group, was running the slide rule over Cadbury Schweppes helped the latter's shares move ahead strongly.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3065.7	+0.2	FT Ordinary index	2363.7	+2.8
FT-SE Mid 250	3496.2	-5.6	FT-SE-A Non Fins p/e	17.92	(18.08)
FT-SE-A 350	1536.8	-0.5	FT-SE 100 Fut Mar	3080.0	-12.0
FT-SE-A All-Share	1521.08	-0.36	10 yr Gilt yield	8.85	(8.78)
FT-SE-A All-Share yield	4.01	(4.02)	Long gilt/equity yld ratio:	2.21	(2.19)

Best performing sectors

1	Gas Distribution	+0.9
2	Textiles & Apparel	+0.9
3	Tobacco	+0.9
4	Pharmaceuticals	+0.8
5	Transport	+0.5

Worst performing sectors

1	Building & Construc	-1.1
2	Life Assurance	-1.0
3	Banks, Retail	-0.7
4	Retailers, General	-0.6
5	Investment Trusts	-0.4

Vodafone support undercut

Mobile phones group **Vodafone** came in for snap profit-taking. The selling offset the impact of stronger than expected new business figures for the 1994 final quarter. It also undercut comforting words about new subscriber staying power (churn rates) from chief executive Sir Gerald Whent.

Thanks to bumper pre-Christmas uptake, net new subscriber returns at 186,000 were some 40,000 ahead of analysts' estimates, but the shares retreated 4 to 208p. According to the market, it was their consistently strong performance over the past month that caused the sell-off.

Most houses take a bullish stance on the sector. Hoare Govett expects the sector to get an additional 1.6m to 1.7m net new subscribers this year after 1.5m in 1994, and looks for Vodafone to continue to increase market share from the current 43 per cent.

Supported by continuing talk of a link with US telecoms giant AT&T, Cable and Wireless held steady at 376p in the face of further price cuts from BT, which is slicing 20 per cent off cheap rate international calls. BT hardened a penny to 378½p on 6.4m turnover.

Lloyds Bank robust

Clearing bank Lloyds recovered sharply yesterday as Hoare Govett, a long time supporter, argued that the bank's exposure to the crisis in Mexico had been over-estimated.

Analyst Mr Peter Toeman conceded that the bank generated a great deal of its operating profits from Latin America and was heavily exposed to US Brady bonds – instruments issued in exchange for the rescheduled debts of developing countries – which have fallen sharply following the crisis.

But he said the 4 per cent slide in the shares over the Christmas week more than discounted the effect of the crisis. He argued that even if Lloyds' Brady portfolio fell by 20 per cent it would still have a £450m surplus to book value, which would easily be enough to smooth its acquisition of the Cheltenham and Gloucester Building Society. Lloyds shares rallied 10½ to 563p.

Composite insurance stocks were restrained as one leading securities house took a more negative view on the sector in reaction to the competitive pressures that the groups are expected to face this year.

Dealers said Hoare Govett was responsible for any selling seen during the day and added that the house had highlighted Guardian Royal Exchange and Sun Alliance as being the most exposed. The latter lost 1½ at 287p but GRE saw some two-way trading and closed 2½ higher at 169p.

Meanwhile, life assurance stocks were affected by a cautious stance from Credit Lyonnais Laing. The house voiced its worries over the effect of disclosure of commissions, reduced bonuses to policy holders and the intention of Mr Richard Branson's Virgin group to start selling Peps, life assurance and pension instruments. Among the sector leaders, Laing pinpointed **Prudential** as the most overvalued stock and the shares fell 3 to 313p. Among the second liners, the house featured **London & Manchester**, down 2 to 308p, and **Refuge**, off 2 at 245p.

There was no change in the mood in the regional electricity sector and belief remained firm that several other distributors would soon join Northern, currently under siege from Trafalgar House, as bid targets. The day's biggest gains were seen in Eastern, up 19 at 795p, South Wales, 13 ahead at 907p, Southern, which improved 13 to 820p, and London, 11 firmer at 757p. Yorkshire gained 11 at 738p, with international conglomerate Hanson once again mentioned as a possible suitor. Hanson put on 2¼ at 233p in volume of 7.8m, which made it one of the day's most active stocks. Northern firmed 3 to 1003p. Trafalgar, its predator, closed flat at 76p.

Bid talk in the recs spread to water stocks, helping to lift Northumbrian 8 to 750p. However, profit-taking left Southern 10 off at 569p.

Food manufacturer **Cadbury Schweppes** rose 5½ to 436½p. There was vague talk that Swiss group Nestlé was considering a bid for the UK concern, although one food specialist commented: "For one there would be anti-trust implications to consider and the two are not a natural fit."

Euro Disney continued to celebrate the recent announcement of improved attendance figures and the shares added 3 at 139p.

Retailing issues traded nervously as the market waited to hear the outcome of the Christmas trading period, although profit-taking was also said to have been a factor. **Boots**, expected to come out with a trading statement tomorrow, ended 7 down at 497p, while **Kingfisher** gave up 6 at 437p. But **W.H. Smith** firmed 2 to 481p after a weekend press tip.

HSBC lost 14½ at 692p after a near 5 per cent fall in the Hang Seng index previously.

Oil group **Burmah** was a notable outperformer, the shares advancing 11 to 826p. Traders said Cazenove had been the most prominent buyer of the stock.

Speculation about a possible mortgage rate increase from the Halifax and confirmation in the latest house price review – from the Nationwide – that price buoyancy remains as elusive as ever, duly cast a shadow over the hard-pressed house builders. George Wimpey dipped 4 to 124p, while Beazer shed 5½ to 128p in 1.6m turnover. **Barratt Developments** eased 2 to 163p. Among building materials shares, Caradon moved up 9 to 204p on the back of new year share tipping by the investment media.

Eurotunnel bounced 13 to 296½p on talk of strong Christmas trading trends. There was a whisper that the Channel tunnel operator could shortly issue a favourable progress report on volume when the first two months of EuroStar running are reached in mid-January. Turnover in Paris topped 4m shares, with London volume just short of 1m.

Fears of a bitter price war in the travel market took the shine off holiday company **Airtours** and left the shares 9 cheaper at 425p.

Ladbroke relinquished 2 to 169p as some dealers took note of cautious comments from UBS. The shares closed last year in celebratory mood after the government said that it planned to allow gaming machines in bookmakers' shops. However, UBS advised investors to "sell into strength", saying it believes the shares to be "expensive in the medium term".

Delayed reaction to the government proposals saw drinks group Bass, which owns the Coral bookmaker chain, harden 1¼ to 516p.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 16

NEW HIGHS AND LOWS FOR 1994/95

NEW HIGHS (53).
BREWERIES (2) Regent Inns, Wetherspoon (JD), BUILDING & CNSTRN (1) Torex Hire, CHEMICALS (1) Cambridge Iso. Labs, DISTRIBUTORS (6) DIVERSIFIED INDLS (2), Stratagem, Whitecroft, ELECTRICITY (4) ELECTRNC & ELECT EQUP (5) ENGINEERING (3) Bumfeld, Dickie (J), Hadleigh Inds., ENG, VEHICLES (2) Automotive Precision, First Tech., EXTRACTIVE INDS (1) Gold Fields SA, FOOD PRODUCERS (2) Carr's Milling, Robert Wiseman, INVESTMENT TRUSTS (3), LEISURE & HOTELS (2) BCE, Games Workshop, MEDIA (3) Dorling Kindsley, Elsevier, Tele-Cine, OTHER FINANCIAL (1) Baltic, OTHER SERVS & BUSNS (3) Bertam, Greenway, Waste Recycling, PHARMACEUTICALS (2) Halstund Nyc. A, Do B, PROPERTY (2) RETAILERS FOOD (1) ASDA, RETAILERS GENERAL (1) Stylo, SUPPORT SERVS (4) TEXTILES & APPAREL (1) Wensum, TRANSPORT (1) Badgerline, WATER (1) Sth. Staffs.

NEW LOWS (104).
GILTS (11) OTHER FIXED INTEREST (1) BANKS, MERCHANT (1) Cater Allen, BREWERIES (1) Vaux, BUILDING & CNSTRN (5), BLDG MATLS & MCHTS (2) Lilleshall, Spring Ram, DISTRIBUTORS (1) Appleyard, DIVERSIFIED INDLS (3), ELECTRNC & ELECT EQUP (1) CML Micro., ENGINEERING (4) APV, Ash & Lacy, Newmark (L), Wagon 7¼pc Cv. Pf., ENG, VEHICLES (2) Avon Rubber, Motor World, EXTRACTIVE INDS (2) Dragon Mining, Walhalla, FOOD PRODUCERS (3) Borthwicks, Polphand (CP), Whitchurch, HEALTH CARE (2) Amersham Int'l, ML Labs., HOUSEHOLD GOODS (1) Joyes, INSURANCE (1) Sun Alliance, INVESTMENT TRUSTS (30) INVESTMENT COMPANIES (6) LEISURE & HOTELS (1) Barr & Wall. A., LIFE ASSURANCE (1) [illegible], MEDIA (1) [illegible], OIL EXPLORATION & PROD (2) [illegible], OTHER FINANCIAL (3) [illegible], PAPER, PACKG & PRNTG (3) [illegible], PROPERTY (8) RETAILERS, FOOD (1) [illegible], SPIRITS, WINES & CIDERS (1) [illegible], SUPPORT SERVS (3) [illegible], TEXTILES & APPAREL (2) [illegible], TRANSPORT (1) [illegible].

EQUITY FUTURES AND OPTIONS TRADING

Hampered by low volume and bond market weakness across Europe, stock index futures looked set for a sizeable retreat before a spate of local buying in the closing moments of yesterday's session came to the rescue, *writes Jeffrey Brown*.

In the event, the FT-SE 100 March contract was at 3,081 at the close of pit trading, down 11 points, having trailed by 30 points at one stage. The premium to the cash market was 17 points, or broadly fair value.

At 5,200, contract numbers were barely 1,000 more than last Friday when the market closed at midday. Even this included 350 lots of spread trading into the June contract, and many dealers complained that it had hardly been worth their journey into the City.

March traded within a narrow 20 points arc, moving between a low of 3,062 and a 3,082 peak. The best of the session was hit in the final half-hour of pit trading when Fimat, one of the bigger independent traders, bought up to 500 lots.

Activity in the options market looked even more depressed, with 18,756 lots comparing with Friday's half-day session total of 21,936. FT-SE and Euro FT-SE business accounted for just under 11,000 contracts.

Foods chain Asda was briskly dealt on the back of media share tipping for the new year, trading 1,952 lots. British Gas saw 1,156 lots dealt. Beyond the top three stock options (which included British Airways) activity tailed away steeply.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3075.0	3080.0	-12.0	3084.0	3062.0	5317	55225
Jun	3092.0	3092.0	-12.0	3092.0	3092.0	350	2926
Sep		3110.0	-12.0			0	480

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3512.5	+5.0			0	3965

■ FT-SE 100 INDEX OPTION (LIFFE) (*3063) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	135	335	+7
ASDA Group†	8,400	68	+½
Abbey National†	1,600	428½	-1
Albert Fisher	2,100	48	+½
Allied Domecq†	744	538	-4
Anglian Water	390	510	-2½
Argos	23	351	
Argyll Group†	304	266	-2
Arjo Wiggins†	570	238	+1
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	56	11
Other Fixed Interest	0	3	11
Mineral Extraction	51	48	96
General Manufacturers	136	98	397
Consumer Goods	46	32	106
Services	88	71	332
Utilities	22	14	7
Financials	72	91	200
Investment Trusts	50	115	298
Others	35	47	39
Totals	503	573	1497

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings December 19 Expiry March 23
Last Dealings January 6 Settlement April 6

Calls: Burmah Castrol, Calluna, Harlstone, Scantronic, Tomorrows Leisure.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Prf		96	—	117	88¼	12.0	10.4	–
9¼pc Non-Cum Prf		116	—	137½	107	48.4	10.5	–
Cater Allen	♣†N□	448xd	+3	*630¼	445	148.0	7.9	9.2
Close Bros	♣N	223	—	*285½	203	210.5	4.2	Φ
Gerrard & Nat	♣†N□	483	+2	616	395	235.2	8.2	13.9
Hambros	♣N□	232	–4	473	209	409.5	8.1	14.2
7½pc Cv Pf		103	+1½	191	99½	132.7	8.1	–
Joseph (L)	♣†N	408xd	—	443	400	21.4	5.4	11.9
King & Shaxson	♣N	103xd	—	170	103	17.8	10.9	10.2
Kleinwort Benson	♣†N□	551	–2	693	424	735.0	4.4	9.7
Rea Bros	♣†N□	65	—	79	53	29.6	1.8	18.2
Schroders	♣†N□	1458	–7	1574	1050	1,468	1.6	17.4
N/V	†N	1324	+1	1488	1043	394.0	1.7	12.1
Singer & Fried	♣†N□	88	—	114	75	167.0	4.6	11.1
Union	♣†N□	92	—	*199	87	24.5	6.1	8.5
Warburg (SG)	♣N□	691	—	1012	569	1,520	4.0	12.7
Wintrust	♣N	213	—	390	203	18.1	6.0	14.2

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا عند الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£34	—	£34	£23½	2,217	2.2	24.9
Barlow	♣	£25⅝xd	-1/16	£25¾	£23 11/16	1,124	1.8	19.9
Gold Flds Prop R		118xd	—	128	75	12.1	7.9	Φ
NK Props		95	—	98	85	3.82	12.7	-
SASOL	♥	528	+4	582	280	3,045	2.7	-
SA Brews	†	£15⅛	-⅛	£16⅞	£10	4,196	1.9	23.4
Tiger Oats		763xd	—	838	538	1,147	2.0	17.8
Tongaat-Hulett	††	725	—	*725	356¼	680.8	2.0	21.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Mexican peso shaky in thin trading

The Mexican peso fell against the dollar yesterday as nervous investors waited to hear President Ernesto Zedillo's comments on the $18bn international rescue package for the Mexican economy, *writes Motoko Rich*.

In early trading, same-day, 24-hour and 48-hour contracts fell 50 centavos from Monday's close to 5.3/5.5 pesos to the dollar. In London, the new peso, which was devalued on December 20, finished at 5.325 pesos to the dollar, from Friday's close of 4.925 pesos to the dollar.

News of the rescue plan and weaker-than-expected figures from the US National Association of Purchasing Managers index bounced the dollar around in thin trading. The US currency ended in London at DM1.5539, from Friday's close of DM1.55 and at Y100.34 from Y99.77.

The Italian currency was slightly firmer against the D-Mark after Bundesbank president Hans Tietmeyer said the lira was undervalued. It finished against the D-Mark in London at L1043 from Friday's close of L1047.

■ As details of the international emergency plan to fend off further attacks on the Mexican peso were unveiled, traders precipitated a fall-off in the new peso.

The International Monetary Fund indicated its reluctance to offer an extra rescue package unless Mexico asked for it. Mr Michel Camdessus, managing director of the IMF, also said the depreciation of the Mexican currency had been greater than justified by economic fundamentals.

The US announced an additional $3bn in short-term facilities for Mexico, and Canada supplemented its C$1bn swap with C$500m.

Mr John Davitte, emerging markets analyst at IDEA, the financial advisory service, said: "The extra credit lines have had a bearish effect on the peso. Speculators see this as a slush fund that they can dip into. But in the longer term it can only add to the stability of the peso."

The US role in helping to prop up the Mexican economy had a knock-on effect on the dollar, weakening the US currency in early trading.

Mr Tony Norfield, UK Treasury economist at ABN/AMRO Bank, said: "The US has a political commitment to avoid spreading Mexican instability. This gives a negative bias to the dollar."

Mr Norfield argued that sentiment against the dollar had turned from its pre-Christmas optimism towards a more bearish trend.

He said: "Political uncertainty in Mexico and the opening of the US Congress with colourful characters like Newt Gingrich (speaker of the House of Representatives) adding to talks of tax cuts won't help the dollar."

The dollar was pushed down by a fall in the National Association of Purchasing Management's December index of manufacturing activity, to 57.8 from 61.2 in November. The prices component, which rose to 83.0 in December from 77.9 in November, was its highest level since March 1980 and caught the attention of dollar bears. In later trading, the dollar recovered slightly.

■ The lira was helped in early morning trading by reports from a German newspaper which said Bundesbank president Hans Tietmeyer believed the lira was undervalued, based on its fundamentals.

But Mr Mark Geddes, Treasury economist at Midland Global Markets, said: "The chances of a serious rise in the lira is improbable until a new and credible government is formed."

■ An ease in the UK purchasing managers' index to 56.7 in December from 57.6 in November and a provisional monthly rise in the M0 money supply of 0.6 per cent in December did not mitigate the sluggishness of the markets just returned from the New Year's holiday.

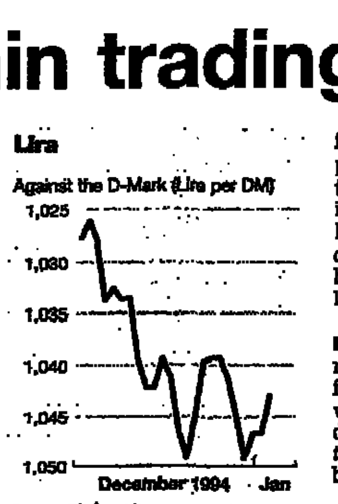
Mr Geddes said the UK currency was still tied to the dollar's movement against the D-Mark, but if it showed any independence, he expected it to strengthen on the back of strong UK economic data.

■ The Bank of England announced the Treasury's issue of Ecu1bn nominal of UK government Ecu Treasury bills, for tender on a bid-yield basis next Tuesday.

In the UK money markets, the Bank of England provided assistance of £258m at 6 ¼ per cent after forecasting a revised shortage of £950m. It provided late liquidity of £385m in assistance.

Lira

Against the D-Mark (Lira per DM)



Source: FT Graphite

■ **Pound in New York**

Jan 3	Latest	Prev. close
£ spot	1.5649	1.5665
1 mth	1.5647	1.5662
3 mth	1.5646	1.5660
1 yr	1.5633	1.5648

■ **OTHER CURRENCIES**

Jan 3	£	$
Hungary	176.390 - 176.603	112.890 - 112.990
Iran	2731.00 - 2734.00	1749.00 - 1750.00
Kuwait	0.4680 - 0.4689	0.2995 - 0.3000
Poland	3.8258 - 3.8301	2.4485 - 2.4505
Russia	5627.64 - 5641.70	3601.00 - 3610.00
U.A.E.	5.7388 - 5.7411	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0848	+0.02	781 - 914	17.1339	17.0781	17.071	1.0	17.0304	1.3	-	-	115.6
Belgium	(BFr)	49.9143	+0.1162	750 - 535	50.0280	49.8540	49.8793	0.8	49.7593	1.2	49.1193	1.6	117.4
Denmark	(DKr)	9.5367	+0.0159	328 - 406	9.5667	9.5287	9.5385	-0.2	9.5313	0.2	9.5066	0.3	116.9
Finland	(FM)	7.4201	+0.0051	130 - 271	7.4570	7.3960	-	-	-	-	-	-	89.1
France	(FFr)	8.3728	+0.0234	703 - 753	8.4018	8.3696	8.3711	0.2	8.3649	0.4	8.3081	0.8	110.0
Germany	(DM)	2.4284	+0.0034	273 - 294	2.4365	2.4272	2.4265	0.9	2.4204	1.3	2.3838	1.8	126.8
Greece	(Dr)	376.701	-0.282	563 - 839	377.518	376.403	-	-	-	-	-	-	-
Ireland	(I£)	1.0106	-0.0025	101 - 111	1.0167	1.0100	1.0104	0.2	1.0106	0.0	1.0099	0.1	105.3
Italy	(L)	2532.44	-5.58	086 - 401	2548.20	2528.73	2537.84	-2.8	2548.44	-2.5	2596.89	-2.5	73.2
Luxembourg	(LFr)	49.9143	+0.1162	750 - 535	50.0280	49.8540	49.8793	0.8	49.7593	1.2	49.1193	1.6	117.4
Netherlands	(Fl)	2.7187	+0.0038	175 - 199	2.7305	2.7168	2.7167	0.9	2.7106	1.2	2.6711	1.8	121.4
Norway	(NKr)	10.5970	+0.0147	930 - 010	10.6318	10.5870	10.5964	0.1	10.5954	0.1	10.5871	0.1	86.4
Portugal	(Es)	249.259	+0.19	141 - 377	249.891	249.070	250.079	-3.9	251.554	-3.7	-	-	-
Spain	(Pta)	205.931	-0.004	859 - 003	206.776	205.832	206.316	-2.2	207.061	-2.2	210.401	-2.2	84.6
Sweden	(SKr)	11.6385	+0.0089	303 - 467	11.7145	11.6284	11.6585	-1.8	11.695	-1.6	11.7955	-1.3	75.8
Switzerland	(SFr)	2.0511	+0.0037	500 - 522	2.0587	2.0498	2.0472	2.3	2.0395	2.3	1.9905	3.0	121.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.8
Ecu	-	1.2764	+0.0006	757 - 771	1.2801	1.2755	1.2764	0.0	1.2759	0.2	1.2684	0.6	-
SDR†	-	0.934304	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5624	-0.0022	620 - 628	1.5629	1.5597	-	-	-	-	-	-	-
Brazil	(R)	1.3174	-0.0077	156 - 192	1.3208	1.3138	-	-	-	-	-	-	-
Canada	(C$)	2.1926	-0.0017	920 - 935	2.1943	2.1781	2.193	-0.1	2.1946	-0.3	2.2054	-0.6	84.5
Mexico	(New Peso)	8.3217	+0.6165	031 - 402	8.4644	7.6801	-	-	-	-	-	-	-
USA	($)	1.5628	-0.0017	625 - 630	1.5630	1.5595	1.5629	-0.1	1.5625	0.1	1.5612	0.1	63.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0294	+0.0124	284 - 304	2.0324	2.0092	2.0323	-1.7	2.039	-1.8	2.0757	-2.3	-
Hong Kong	(HK$)	12.0923	-0.0123	895 - 950	12.0972	12.0869	12.0613	3.1	12.1238	-1.0	12.0368	0.5	-
India	(Rs)	49.0235	-0.053	117 - 352	49.0360	48.9250	-	-	-	-	-	-	-
Japan	(Y)	156.806	+0.716	734 - 878	156.940	156.140	156.298	3.9	155.191	4.1	148.896	5.0	187.5
Malaysia	(M$)	3.9830	-0.012	816 - 844	3.9869	3.9767	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4445	+0.0005	433 - 456	2.4457	2.4329	2.4503	-2.8	2.4612	-2.7	2.4957	-2.1	-
Philippines	(Peso)	38.7563	+0.5824	375 - 750	39.0800	38.4200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8619	-0.007	602 - 636	5.8644	5.8500	-	-	-	-	-	-	-
Singapore	(S$)	2.2707	-0.0103	695 - 718	2.2773	2.2644	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5482	+0.0032	461 - 502	5.5515	5.5284	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3401	-0.0353	234 - 567	6.3577	6.3292	-	-	-	-	-	-	-
South Korea	(Won)	1232.47	-1.14	219 - 274	1232.75	1229.82	-	-	-	-	-	-	-
Taiwan	(T$)	40.9917	-0.1359	703 - 131	41.0220	40.9213	-	-	-	-	-	-	-
Thailand	(Bt)	39.2407	-0.0361	266 - 547	39.2370	39.0680	-	-	-	-	-	-	-

†SDR rates for Dec 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.9325	+0.025	300 - 350	10.9725	10.9300	10.925	0.8	10.9085	0.9	10.811	1.1	104.8
Belgium	(BFr)	31.9400	+0.11	200 - 600	32.0400	31.9200	31.918	0.8	31.845	1.2	31.465	1.5	106.6
Denmark	(DKr)	6.1025	+0.017	010 - 040	6.1300	6.1010	6.1032	-0.1	6.105	-0.2	6.0895	0.2	105.3
Finland	(FM)	4.7481	+0.0086	443 - 518	4.7761	4.7410	4.7458	0.6	4.7411	0.6	4.7206	0.6	83.6
France	(FFr)	5.3578	+0.021	570 - 585	5.3825	5.3570	5.357	0.2	5.3536	0.3	5.3218	0.7	106.4
Germany	(D)	1.5539	+0.0039	535 - 543	1.5608	1.5535	1.5528	0.8	1.5491	1.2	1.5269	1.7	107.7
Greece	(Dr)	241.050	+0.45	000 - 100	241.700	241.000	243.55	-12.4	247.8	-11.2	264.55	-9.7	66.4
Ireland	(I£)	1.5464	+0.0021	459 - 469	1.5451	1.5345	1.5465	-0.1	1.5462	0.1	1.5464	0.0	-
Italy	(L)	1620.50	-1.75	975 - 125	1628.00	1619.75	1624.05	-2.6	1631	-2.6	1663.5	-2.7	73.3
Luxembourg	(LFr)	31.9400	+0.11	200 - 600	32.0400	31.9200	31.918	0.8	31.845	1.2	31.465	1.5	106.6
Netherlands	(Fl)	1.7397	+0.0044	392 - 402	1.7484	1.7392	1.7385	0.9	1.7348	1.1	1.711	1.7	106.2
Norway	(NKr)	6.7810	+0.017	795 - 825	6.8177	6.7795	6.7773	0.7	6.7715	0.6	6.721	0.9	96.6
Portugal	(Es)	159.500	+0.3	450 - 550	160.000	159.450	160.075	-4.3	161.125	-4.1	164.625	-3.2	95.3
Spain	(Pta)	131.775	+0.145	750 - 800	132.350	131.750	132.03	-2.3	132.52	-2.3	134.775	-2.3	79.5
Sweden	(SKr)	7.4481	+0.014	434 - 528	7.5096	7.4434	7.4593	-1.8	7.4786	-1.6	7.5556	-1.4	81.2
Switzerland	(SFr)	1.3125	+0.0038	120 - 130	1.3184	1.3120	1.3101	2.2	1.3053	2.2	1.275	2.9	107.0
UK	(£)	1.5628	-0.0017	625 - 630	1.5630	1.5595	1.5629	-0.1	1.5625	0.1	1.5619	0.1	88.0
Ecu	-	1.2244	-0.002	239 - 248	1.2248	1.2195	1.2244	0.0	1.2248	-0.1	1.2309	-0.5	-
SDR†	-	1.45985	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0003	997 - 999	1.0001	0.9997	-	-	-	-	-	-	-
Brazil	(R)	0.8430	-0.004	420 - 440	0.8460	0.8420	-	-	-	-	-	-	-
Canada	(C$)	1.4032	+0.0005	029 - 034	1.4034	1.3955	1.4033	0.0	1.4046	-0.4	1.4128	-0.7	81.1
Mexico	(New Peso)	5.3250	+0.4	500 - 000	5.4000	4.9200	5.326	-0.2	5.3278	-0.2	5.3352	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2986	+0.0094	982 - 990	1.3021	1.2876	1.2993	-0.7	1.3011	-0.8	1.3139	-1.2	91.4
Hong Kong	(HK$)	7.7378	+0.0008	373 - 383	7.7383	7.7373	7.7358	0.3	7.7346	0.2	7.7423	-0.1	-
India	(Rs)	31.3700	+0.0012	675 - 725	31.3725	31.3675	31.44	-2.7	31.585	-2.7	-	-	-
Japan	(Y)	100.340	+0.57	310 - 370	100.400	100.070	100.02	3.8	99.32	4.1	95.435	4.9	149.3
Malaysia	(M$)	2.5487	-0.0048	482 - 492	2.5550	2.5475	2.5457	1.4	2.5412	1.2	2.5692	-0.8	-
New Zealand	(NZ$)	1.5642	+0.0021	637 - 647	1.5647	1.5598	1.5651	-0.7	1.5676	-0.9	1.5766	-0.8	-
Philippines	(Peso)	24.8000	+0.4	000 - 000	25.0000	24.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7510	-0.0003	505 - 515	3.7515	3.7505	3.7545	-1.1	3.7614	-1.1	3.778	-0.7	-
Singapore	(S$)	1.4530	-0.005	525 - 535	1.4565	1.4510	1.4515	1.3	1.448	1.4	1.4315	1.5	-
S Africa (Com.)	(R)	3.5503	+0.006	495 - 510	3.5585	3.5450	3.5658	-5.2	3.5979	-5.4	3.7628	-6.0	-
S Africa (Fin.)	(R)	4.0570	-0.018	470 - 670	4.0670	4.0470	4.085	-8.3	4.1295	-7.1	4.367	-7.6	-
South Korea	(Won)	788.650	+0.15	600 - 700	788.800	787.600	791.65	-4.6	795.15	-3.3	813.65	-3.2	-
Taiwan	(T$)	26.2305	-0.0575	210 - 400	26.2400	26.2210	26.2505	-0.9	26.2905	-0.9	-	-	-
Thailand	(Bt)	25.1100	+0.0075	050 - 150	25.1150	25.0120	25.1395	-1.4	25.2305	-1.9	25.635	-2.1	-

†SDR rate for Dec 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 30. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 3	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5¼	5¼	5⅝	5 11/16	6¼	7.40	4.50	-
week ago	5¼	5¼	5 7/16	5¾	6¼	7.40	4.50	-
France	5⅝	5⅝	6⅛	6⅜	7⅛	5.00	-	6.75
week ago	5⅝	5⅝	6⅛	6⅝	7⅛	5.00	-	6.75
Germany	5.00	5.10	5.25	5.40	5.88	6.00	4.50	4.85
week ago	4.05	5.10	5.38	5.43	5.83	6.00	4.50	4.85
Ireland	6⅝	5⅞	6⅝	6⅞	7⅛	-	-	6.25
week ago	5⅝	5⅞	6⅝	6⅞	7⅛	-	-	6.25
Italy	8⅝	8⅞	9	9⅞	10½	-	7.50	8.20
week ago	8⅝	8⅞	8¾	9¾	10⅞	-	7.50	8.20
Netherlands	4.84	5.17	5.29	5.52	5.97	-	5.25	-
week ago	4.84	5.17	5.40	5.56	5.93	-	5.25	-
Switzerland	3½	3⅞	4¼	4½	4⅞	6.625	3.50	-
week ago	3¾	3⅞	4⅜	4⅝	4⅞	6.625	3.50	-
US	5⅝	5¾	6⅜	6⅝	7¾	-	4.75	-
week ago	5½	5¾	6¼	6¾	7½	-	4.75	-
Japan	2¼	2⅛	2⅛	2⅞	2⅞	-	1.75	-
week ago	2¼	2⅛	2⅛	2⅞	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	6¼	7	7⅞	-	-	-
week ago	-	5⅞	6⅝	6 13/16	7⅝	-	-	-
US Dollar CDs	-	5.72	6.21	6.74	7.54	-	-	-
week ago	-	5.72	6.00	6.54	7.34	-	-	-
SDR Linked Ds	-	4¾	4⅞	5¼	5⅝	-	-	-
week ago	-	4¾	4⅞	5¼	5⅝	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 6⅜; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 3	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 3/16 - 5 1/16	5⅛ - 5	5¼ - 5⅛	5 5/16 - 5 3/16	5 11/16 - 5 9/16	6¼ - 6⅛
Danish Krona	5¼ - 5	5⅝ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5⅛ - 5	5¼ - 5⅛	5½ - 5⅜	5 15/16 - 5 13/16
Dutch Guilder	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5⅜ - 5 5/16	5⅜ - 5¼	5⅝ - 5½	6 1/16 - 5 15/16
French Franc	5 7/16 - 5 5/16	5½ - 5⅜	5¾ - 5⅝	6 3/16 - 6 1/16	6⅝ - 6½	7 1/16 - 6 15/16
Portuguese Esc.	8¾ - 8⅝	9¾ - 9¼	10 - 9½	10¾ - 10½	11⅛ - 10⅞	11¼ - 10¾
Spanish Peseta	7 7/16 - 7⅜	7 13/16 - 7 11/16	8 - 7⅞	8⅝ - 8½	9 3/16 - 9 1/16	10 - 9 13/16
Sterling	6¼ - 6	6 1/16 - 5 15/16	6 5/16 - 6 3/16	6⅝ - 6½	7 3/16 - 7 1/16	8 - 7⅞
Swiss Franc	3⅞ - 3⅝	3⅞ - 3⅝	3 15/16 - 3 13/16	4¼ - 4⅛	4½ - 4⅜	4 13/16 - 4 11/16
Can. Dollar	5 13/16 - 5½	5 13/16 - 5½	5⅞ - 5¾	6⅞ - 6¾	7⅝ - 7½	8½ - 8¼
US Dollar	5⅞ - 5¾	5 13/16 - 5 11/16	5 15/16 - 5 13/16	6½ - 6⅜	7 - 6⅞	7 13/16 - 7 11/16
Italian Lira	9 - 7½	8 5/16 - 8 3/16	8½ - 8⅜	9 - 8⅞	9 13/16 - 9 11/16	10½ - 10⅜
Yen	2 3/16 - 2⅛	2 5/16 - 2¼	2 5/16 - 2¼	2⅜ - 2 5/16	2 7/16 - 2⅜	2⅝ - 2 9/16
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	3⅝ - 3½	4 5/16 - 4 3/16	4 9/16 - 4 7/16	4¾ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.18	93.23	+0.04	93.26	93.11	15,107	50,214
Jun	92.87	92.85	-0.02	92.90	92.77	7,061	49,154
Sep	92.65	92.62	-0.03	92.67	92.58	4,937	29,758
Dec	92.40	92.39	-0.06	92.47	92.38	2,446	18,662

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		92.77	-			0	1656
Jun		91.97	-0.03			0	443
Sep		91.82	-0.08			0	177
Dec		91.43	-0.07			0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.40	94.42	-0.01	94.43	94.38	9907	205652
Jun	93.98	94.02	-0.02	94.03	93.97	9262	135372
Sep	93.58	93.63	-0.03	93.64	93.57	4363	84018
Dec	93.23	93.26	-0.03	93.26	93.21	1662	61683

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.82	89.99	+0.14	90.00	89.82	3891	32923
Jun	89.45	89.49	+0.14	89.48	89.44	906	19707
Sep	89.20	89.25	+0.13	89.26	89.20	1361	21473
Dec	89.05	89.05	+0.11	89.07	89.01	836	15403

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.50	95.55	+0.02	95.56	95.49	3284	18371
Jun	95.21	95.21	+0.02	95.22	95.17	736	7451
Sep	95.01	95.01	-0.01	95.01	95.00	89	4252
Dec	94.81	94.80	-0.01	94.81	94.80	75	1776

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.17	93.21	-0.01	93.27	93.17	1001	8854
Jun	92.73	92.77	-0.01	92.84	92.73	370	4962
Sep	92.41	92.34	-0.07	92.42	92.35	228	2745
Dec	92.07	92.03	-0.06	92.07	92.02	90	1373

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.11	16.77	4.865	2.024	5073	5.446	21.22	499.3	412.5	23.30	4.109	2.004	4.392	3.132	314.2	2.557
Denmark	(DKr)	52.34	10	8.779	2.546	1.059	2655	2.850	11.11	261.3	215.9	12.20	2.151	1.049	2.299	1.639	164.4	1.338
France	(FFr)	59.62	11.39	10	2.900	1.206	3024	3.247	12.65	297.7	245.9	13.89	2.450	1.194	2.618	1.867	187.3	1.524
Germany	(DM)	20.56	3.928	3.448	1	0.416	1043	1.119	4.362	102.6	84.80	4.790	0.845	0.412	0.903	0.644	64.58	0.526
Ireland	(I£)	49.42	9.442	8.288	2.404	1	2507	2.691	10.49	246.7	203.9	11.51	2.031	0.990	2.170	1.548	155.2	1.263
Italy	(L)	1.971	0.377	0.331	0.096	0.040	100.	0.107	0.418	9.842	8.132	0.459	0.081	0.039	0.087	0.062	6.193	0.050
Netherlands	(Fl)	18.36	3.508	3.080	0.893	0.372	931.6	1	3.896	91.69	75.75	4.278	0.755	0.368	0.806	0.575	57.69	0.469
Norway	(NKr)	47.13	9.005	7.906	2.293	0.954	2391	2.567	10	235.3	194.4	10.98	1.937	0.944	2.070	1.476	148.1	1.205
Portugal	(Es)	20.03	3.827	3.360	0.974	0.405	1016	1.091	4.250	100.	82.62	4.667	0.823	0.401	0.880	0.627	62.92	0.512
Spain	(Pta)	24.24	4.631	4.066	1.179	0.491	1230	1.320	5.143	121.0	100.	5.648	0.996	0.486	1.065	0.759	76.15	0.620
Sweden	(SKr)	42.91	8.199	7.199	2.088	0.868	2177	2.337	9.105	214.3	177.0	10	1.764	0.860	1.885	1.344	134.8	1.097
Switzerland	(SFr)	24.33	4.649	4.082	1.184	0.492	1235	1.325	5.163	121.5	100.4	5.670	1	0.488	1.069	0.762	76.45	0.622
UK	(£)	49.91	9.536	8.372	2.428	1.010	2532	2.718	10.59	249.2	205.9	11.63	2.051	1	2.192	1.563	156.8	1.276
Canada	(C$)	22.77	4.350	3.819	1.108	0.461	1155	1.240	4.831	113.7	93.93	5.306	0.936	0.456	1	0.713	71.53	0.582
US	($)	31.93	6.101	5.356	1.553	0.646	1620	1.739	6.775	159.4	131.7	7.441	1.312	0.640	1.402	1	100.3	0.816
Japan	(Y)	31.83	6.082	5.339	1.548	0.644	1615	1.733	6.754	158.9	131.3	7.417	1.308	0.638	1.398	0.997	100.	0.814
Ecu		39.11	7.473	6.561	1.903	0.792	1984	2.130	8.299	195.3	161.4	9.114	1.607	0.784	1.718	1.225	122.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6427	0.6440	-0.0035	0.6444	0.6423	9,478	67,633
Jun	0.6460	0.6467	-0.0034	0.6470	0.6460	14	1,999
Sep	-	0.6500	-	-	0.6500	1	139

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0060	1.0041	-0.0066	1.0073	1.0035	8,804	65,799
Jun	1.0180	1.0174	-0.0065	1.0187	1.0172	949	6,421
Sep	-	1.0375	-	-	-	1	328

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7622	0.7635	-0.0038	0.7642	0.7620	4,283	34,360
Jun	0.7691	0.7690	-0.0037	0.7691	0.7690	68	680
Sep	-	0.7745	-	-	0.7745	1	65

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5632	1.5606	-0.0064	1.5632	1.5590	8,331	52,972
Jun	-	1.5600	-	-	1.5600	10	531
Sep	-	1.5600	-	-	1.5600	5	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5½	6¼ - 6	6¼ - 6	6 11/16 - 6 9/16	7 3/16 - 7	8 - 7 13/16
Sterling CDs	-	-	6 3/16 - 5 31/32	6 9/16 - 6½	7 1/16 - 7	7⅞ - 7¾
Treasury Bills	-	-	5 13/32 - 5 11/32	6¼ - 6⅛	-	-
Bank Bills	-	-	6 - 5⅞	6 7/16 - 6⅜	6¾ - 6⅝	-
Local authority deps.	5 3/16 - 6 1/16	5 3/16 - 5 1/16	5 15/16 - 5 13/16	6 7/16 - 6 5/16	7 - 6⅞	7 13/16 - 7 11/16
Discount Market deps	7 - 5¾	6 1/16 - 5 11/16	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.9162pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 30. 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.58	92.56	-0.04	92.63	92.56	7721	93586
Jun	91.83	91.78	-0.09	91.89	91.77	4192	64506
Sep	91.34	91.24	-0.13	91.38	91.23	3480	59890
Dec	91.05	90.98	-0.10	91.09	90.96	1089	44956

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.28	0.15	0.12	0.20	0.87	1.38
9275	0.16	0.09	0.08	0.33	1.06	1.59
9300	0.08	0.06	0.05	0.50	1.28	1.81

Est. vol. total, Calls 3910 Puts 5796. Previous day's open int., Calls 83271 Puts 81790

EMS EUROPEAN CURRENCY UNIT RATES

Jan 3	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13697	+0.00273	-2.72	7.87	-
Belgium	40.2123	39.2162	+0.0548	-2.48	7.60	18
Germany	1.94964	1.90805	+0.00272	-2.13	7.22	-
Ireland	0.808628	0.792820	-0.002441	-1.98	7.05	13
France	6.53883	6.57675	+0.00096	0.58	4.33	-5
Denmark	7.43679	7.49415	+0.01182	0.77	4.13	-5
Portugal	192.854	195.876	-0.008	1.57	3.32	-11
Spain	154.250	161.862	-0.208	4.93	0.00	-34
NON ERM MEMBERS						
Greece	264.513	295.810	+0.33	11.83	-6.17	-
Italy	1793.19	1989.22	-8.23	10.93	-5.41	-
UK	0.786749	0.784296	-0.002778	-0.31	5.26	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.500	5.59	6.11	6.36	-	0.12	0.41
1.525	3.56	3.97	4.40	0.02	0.46	0.93
1.550	1.61	2.26	2.79	0.41	1.19	1.78
1.575	0.34	1.08	1.65	1.74	2.49	3.02
1.600	0.01	0.43	0.88	3.86	4.27	4.72
1.625	-	0.12	0.42	6.30	6.45	6.72

Previous day's vol., Calls 4,456 Puts 1,143 . Prev. day's open int., Calls 224,777 Puts 236,913

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	92.77	92.75	-0.02	92.78	92.73	33,741	462,983
Jun	92.00	91.96	-0.04	92.00	91.94	31,184	356,429
Sep	91.65	91.61	-0.04	91.66	91.59	17,696	281,449

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.43	93.41	-0.03	93.44	93.40	826	15,807
Jun	92.66	92.64	-0.04	92.66	92.62	199	3,637
Sep	92.30	92.27	-0.07	92.30	92.26	208	873

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9425	0.20	0.24	0.28	0.21	0.03	0.07	0.11	0.44
9450	0.05	0.09	0.13	0.12	0.13	0.17	0.21	0.60
9475	0.01	0.03	0.04	0.06	0.34	0.36	0.37	0.79

Est. vol. total, Calls 6927 Puts 3045. Previous day's open int., Calls 119897 Puts 158202

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9550	0.17	0.13	0.14	0.12	0.42	0.63
9575	0.07	0.06	0.08	0.27	0.60	0.82
9600	0.03	0.03	0.04	0.48	0.82	1.03

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1380 Puts 1705

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25	● Members of London Investment Banking Association	
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25	* In administration	
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 3 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jan 3 / Frs.)

[illegible]

DENMARK (Jan 3 / Kr)

[illegible]

FINLAND (Jan 3 / Mks)

[illegible]

FRANCE (Jan 3 / Frs.)

[illegible]

GERMANY (Jan 3 / Dm.)

[illegible]

ITALY (Jan 3 / Lire)

[illegible]

NETHERLANDS (Jan 3 / Fls.)

[illegible]

NORWAY (Jan 3 / Kroner)

[illegible]

SPAIN (Jan 3 / Pts.)

[illegible]

SWEDEN (Jan 3 / Kronor)

[illegible]

SWITZERLAND (Jan 3 / Frs.)

[illegible]

PACIFIC

JAPAN (Dec 30 / Yen)

[illegible]

HONG KONG (Jan 3 / H.K.$)

[illegible]

MALAYSIA (Jan 3 / MYR)

[illegible]

SINGAPORE (Jan 3 / S$)

[illegible]

AUSTRALIA (Jan 3 / Aust$)

[illegible]

AFRICA

SOUTH AFRICA (Jan 3 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jan 3 / Can $)

4 pm close

[illegible]

MONTREAL (Jan 3 / Can $)

4 pm close

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/5, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, December 30, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Pacific Metals	3.4m	548	-12	Oki Electric	1.8m	704	-28
Sakai Ovex	2.8m	752	-6	Matsushita	1.6m	1640	+10
Konica Corp	2.2m	840	+4	Toshiba	1.5m	723	+8
Nippon Soda	1.8m	676	-12	Mitsui Min & Sml	1.5m	444	-3
Nippon Steel	1.8m	375	+2	Mitsubishi Hvy	1.3m	760	+3

INDICES

[illegible]

WORLD							
MS Capital Int (1/1/70)$	615.8*	618.5	618.6	649.90	2/11/94	581.80	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1332.56	(c)	1333.22	1540.19	31/1/94	1285.48	5/10/94
Euro Top-100 (26/6/90)	1177.26	1177.35	1178.46	1311.01	2/2/94	1136.48	5/10/94
JCapeOrgcs (31/12/88)	(u)	303.39	303.31	395.19	5/1/94	285.48	12/12/94
Barings Emerg.(7/1/92)	(u)	158.07	156.04	191.79	26/9/94	141.65	21/4/94

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	1886.0	1893.0	+4.0	1898.0	1683.0	9,004	23,878
Feb	1895.0	1903.0	+4.0	1905.5	1895.0	51	1,217
Mar	1904.5	1912.5	+4.0	1914.0	1902.0	95	19,550

Open interest figures for previous day.

** Sat Dec 31: Taiwan Weighted Price (c) ; Korea Comp Ex (c) . Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 3 - 2088.92 -10.27.

US INDICES

Dow Jones	Dec 30	Dec 29	Dec 28	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3834.44	3833.43	3838.49	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.56	93.86	94.06	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1455.03	1444.55	1435.00	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	181.52	181.26	181.72	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3874.48 (3871.45) Low 3812.91 (3816.94) (Theoretical♣)
Day's high 3850.59 (3847.90) Low 3833.76 (3832.42) (Actual♣)

Standard and Poors	Dec 30	Dec 29	Dec 28	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	459.27	461.16	460.86	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	547.51	549.80	548.94	563.10 (28/10/94)	510.05 (21/4/94)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	41.41	41.59	41.55	45.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	250.94	251.44	251.29	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.67	431.36	429.62	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	751.96	749.53	742.46	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 30	Dec 23	Dec 16	Year ago
Dow Jones Ind. Div. Yield	2.79	2.78	2.80	2.68
	Dec 28	Dec 21	Dec 14	Year ago
S & P Ind. Div. yield	2.44	2.45	2.47	2.40
S & P Ind. P/E ratio	18.76	18.68	18.40	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	461.30	461.10	-0.25	462.35	461.10	32,269	200,045
Jun	-	465.75	-	-	-	1,416	7,750
Sep	-	471.20	-	-	-	528	2,628

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
RJR Nabisco	8,063,000	5½	-⅛
Telefonica	6,085,900	41⅛	-1⅛
Wal-Mart	4,348,200	21⅛	-⅛
Chem Bank	3,604,100	35⅞	-⅛
K Mart	2,616,500	13	-⅛
Ford Motor	2,439,200	27⅞	....
Health Sys	2,050,700	30⅝	+6½
Philip Morris	1,867,700	57½	+⅜
Gen Motors	1,804,200	42⅛	—
Chrysler	1,738,700	49	-⅞

■ TRADING ACTIVITY

● Volume (million)

	Dec 30	Dec 29	Dec 28
New York SE	228.732	253.337	243.516
Amex	24.840	18.798	17.444
NASDAQ	280.344	259.700	235.024
NYSE			
Issues Traded	2,983	2,969	2,942
Rises	1,383	1,163	859
Falls	996	1,096	1,323
Unchanged	604	710	760
New Highs	62	38	36
New Lows	72	84	109

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close January 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17 3/8	11 7/8	AAR	0.48	3.7	23	109	13 3/8	13	13 1/8	-1/4
19 7/8	12 5/8	A L Labs A	0.18	0.9	45	308	u19 7/8	19 1/2	19 7/8	
79 1/8	57 5/8	AMP	1.68	2.3	22	1498	72 5/8	71 1/4	71 7/8	-7/8
72 1/4	49 1/8	AMR			116	4658	55	53 3/8	54 7/8	+1 5/8
5	3 3/8	ARX			12	95	3 7/8	3 1/4	3 3/4	
56 1/8	38 5/8	ASA	2.00	4.6	28	399	44 5/8	43 5/8	43 5/8	-1 1/4
33 7/8	25 3/8	Abbtl.	0.76	2.3	17	7457	32 7/8	32 1/2	32 3/4	+1/8
15 1/4	11 3/8	Abitibi Pr	0.50	3.6	12	36	13 7/8	13 5/8	13 7/8	+1/4
23 7/8	17 3/4	ABM Ind	0.60	2.7	13	268	23 1/8	22 5/8	22 5/8	-5/8
18	11 1/8	Acptncoln			71	147	15	14 1/2	14 3/4	-1/4
31	20 3/4	ACE Ltd	0.44	1.9	24	250	23 3/4	23 1/8	23 1/4	-1/8
12 1/2	9	ACM Gvt In	1.09	12.0	8	100	9 1/4	9 1/8	9 1/8	
10 1/8	6 7/8	ACM GvOpp	0.80	10.6		58	7 1/2	7 3/8	7 1/2	
10 5/8	6 1/4	ACM Gvt Sp	0.96	13.2		330	7 1/4	7	7 1/4	+1/8
12	7 5/8	ACM Gvt Se	1.09	13.5		348	8 1/4	8	8 1/8	
11 3/4	7 3/8	ACM Man	1.08	13.1		144	8 1/4	8 1/8	8 1/4	
9 1/4	7 1/2	ACM Managd	0.72	9.6		58	7 5/8	d7 1/2	7 1/2	-1/8
15 1/2	8 3/4	AcmeClv	0.44	4.2	21	265	10 3/4	10 5/8	10 1/2	
13 7/8	6 1/2	Acme Elect			13	112	13	12 3/8	12 1/2	-1/4
33 1/2	23	Acordia	0.60	1.8	18	41	33 1/4	32 3/4	32 3/4	-3/4
13 3/4	5 3/4	Actava	0.36	3.7	2	101	9 3/4	9 1/4	9 3/4	+3/8
18 3/8	11 1/4	Acuson			26	462	16 1/4	15 7/8	16	-1/4
18 3/8	15 1/2	Adams Expr	0.68	4.4	0	185	15 3/4	15 5/8	15 5/8	
64	46 1/2	Ad Micro	3.00	5.6		33	54	53	53 1/2	+1
31 3/4	16 3/4	AdvMic	3.00	11.9	8	3990	25 1/2	25	25 1/4	+1/4
6 7/8	5	Advest Grp	0.16	3.0	15	50	5 3/4	5 1/8	5 1/4	+1/8
20	15	Advo Inc	0.10	0.6	16	131	17 3/8	17	17	-1/4
64	49 3/8	Aegon ADR	1.47	2.3	12	100	u64	63 3/4	63 7/8	+5/8

Continued on next page

4 pm close January 3

NYSE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
25	17½	SDgSE	1.52	7.9	16	712	19⅜	19⅛	19¼	
10	7½	SantaFeSRs	0.16	2.0	9	695	8¼	8	8⅛	+⅛
17⅞	12⅛	SFeGd			26	7634	12¾	d12⅛	12½	-⅜
33⅝	30⅛	SFePPpe	2.80	8.4	8	53	33½	33¼	33½	+⅜
28¾	12⅞	SanFeP	0.10	0.6	14	1998	17½	17⅜	17½	
26	19⅞	SaraLee	0.68	2.7	55	4727	25⅝	25	25⅝	+⅞
50⅛	41	Scana Corp	2.82	6.7	12	146	42¼	42	42⅛	
20½	12½	Scecrp	1.00	6.8	9	3274	14⅝	14½	14⅝	+⅛
45½	31¾	SchererRP			30	198	45⅜	44⅝	44¾	-⅝
75⅞	54½	SchPl	2.04	2.8	15	2497	74¼	73⅝	73⅞	-⅛
63	50	Schlmb	1.20	2.3	24	6984	51¼	50⅝	51⅛	+¾
37	23¾	Schwab(C)	0.28	0.8	14	1580	34⅝	33⅛	33¼	-1⅝
10¾	6⅛	Schwitzer			7	38	8	7⅞	7⅞	
22¾	12½	SciAtl	0.06	0.3	37	1102	21	19¾	19⅞	-1⅛
18¼	13	Scotmen	0.10	0.6	12	66	17⅜	17⅛	17⅜	+¼
70⅝	37¼	ScotP	0.80	1.2	21	1358	69⅞	68⅜	68¾	-⅞
28⅝	18½	ScuddrNAsF	0.02	0.1		339	20⅛	19¾	19⅞	-⅞
12⅝	8¾	ScuddrNEuF	0.16	1.8		95	9⅛	9	9	-⅛
18¼	12	SeaCnB	0.70	5.0	8	41	14	13⅞	14	+⅜
16½	14¼	SeaC1.4625	1.46	9.5		2100	15⅝	15⅜	15⅜	
25⅞	22⅞	S'gate			8	8683	u25⅞	24	25¾	+1¾
32⅝	26¼	Seagrm	0.60	2.0	14	1308	29⅞	29⅜	29⅝	+⅛
28¾	17⅝	Seagull En			32	585	19⅜	19¼	19⅜	+¼
38¾	26⅝	Sealed Air			21	200	u38¾	38	38	-¾
55½	42⅛	SearsR	1.60	3.4	14	19148	47½	46½	47½	+1½
13¾	9¾	Seligm Sel	0.84	8.1		8	10⅜	10⅜	10⅜	-⅛
39¼	28	Sensormat	0.22	0.6	29	3351	35⅞	34⅜	35⅛	-⅞
[illegible]										
27⅞	20⅝	Zenith Nat	1.00	4.5	10	98	22¼	22¼	22¼	-½
7⅞	6	Zenix Inc	0.83	13.2		111	6¼	6⅛	6¼	+⅛
16⅛	11⅞	Zero	0.40	2.9	16	21	13⅞	13⅝	13⅞	-⅛
29¾	16¾	Zurn Ind	0.88	4.9	634	218	19½	17⅞	18½	+⅛
13⅞	10⅛	Zweig Fund	1.08	10.3		738	10⅝	10⅜	10½	+⅛
10⅝	7¾	Zweig Total	0.84	10.5		432	8	7⅞	8	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close January 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Chambers		8	58	3⅞	3 13/16	3 13/16	
Champion		9	211	30½	28⅝	28⅞	-1⅞
CircPh	0.04	21	388	17⅝	17¼	17⅜	-½
Cntrl FdA	0.01		365	4 11/16	d4 9/16	4⅝	-1/16
Cominco	0.30	20	34	17⅝	17½	17½	-¼
[illegible]							
Greenmen		9	2100	5¼	d5¼	5¼	-⅛
Gulf Cda	0.34	6	87	3¼	3 3/16	3¼	+⅛
HanDir		20	830	3 11/16	3½	3 9/16	-3/16
[illegible]							
PetHPwB	1.64	97	2	17⅝	17⅝	17⅝	
Prmway A	0.50	31	9	40¼	39¾	39¾	-½
Ply Gem	0.12	43	53	18⅞	18⅜	18⅞	
[illegible]							
NY TmA	0.56	15	1129	22¼	21⅞	22	-⅛
NumacE		19	43	5⅞	5¾	5¾	
NVR		13	9	5½	5⅜	5½	
Pegasus G	0.10	7	1022	11¼	10¾	10¾	-⅝
Penril	0.80	18	2	9⅜	9⅜	9⅜	
[illegible]							
WIRET	1.12	13	38	12⅞	12⅝	12¾	-⅛
Worthen	0.60	10	45	27¼	26½	26½	-¾
Xytronx		3	129	3⅝	3⅜	3⅜	-⅛

NASDAQ NATIONAL MARKET

4 pm close January 3

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Dow zig-zags on conflicts in NAPM data

Wall Street

US shares zig-zagged yesterday morning in the wake of uncertain data on inflation and a declining bond market, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average had risen 3.36 to 3,837.80. The more broadly based Standard & Poor's 500 declined 0.93 to 458.34, the American Stock Exchange composite lost 0.68 at 432.99 and the Nasdaq composite slipped 6.37 to 745.59. Trading volume on the NYSE came to 136m shares.

The Dow spent the morning moving between positive and negative territory within a relatively narrow range. At mid-morning it was up nearly 7 points before falling almost 10 into negative territory and then bouncing to close the morning nearly flat.

A report from the National Association of Purchasing Management showed a larger than expected drop in its index of business activity for December. The overall index fell to 57.8 per cent, from 61.2 per cent in November. Economists had forecast that December activity would be closer to 60.5 per cent.

The drop was due mostly to declines in the orders, production and employment sub-indices, which some analysts said might be a sign that the economy was beginning to respond to monetary tightening by the Federal Reserve.

News, however, that the price sub-index rose to its highest level since March 1980 troubled the bond market and added to confusion in equity trading. Recently the stock market has welcomed signs of economic slowing as they offer hope that the Fed might not raise rates early this year.

Shares of AT&T Capital gained $⅛ at $21⅛ after the communications company announced that it would acquire vendor leasing and finance companies in the UK, Germany, France, Italy and the Benelux nations from Spain's Banco Central Hispano. American Depositary Receipts of Banco Central Hispano, traded on the NYSE, rose $¼ to $11⅛.

Toys R Us shares bounced off recent lows, climbing $¼ to $30¾ after the retailer reported an 8.7 per cent increase in sales for the holiday selling season. The shares had traded as high as $38¾ in November but tumbled after an analyst cut his earnings forecast.

Other retailing stocks were mixed, with shops selling general merchandise mostly faring better than those devoted primarily to clothing sales. Ann Taylor dropped $1⅛ to $33¼, the Gap edged down $⅛ to $30⅝, Dillard Department Stores fell $¾ to $26, JC Penney shed $¾ to $43⅞ and Dayton Hudson lost $¾ at $70. Sears Roebuck gained $⅞ at $46⅞ and Woolworth $⅜ at $15⅞.

ADRs of Telmex lost $1⅞ at $39⅛ amid continued uncertainty surrounding Mexican financial markets.

Canada

Toronto was lower at midday as weak precious metals, worries about the outlook for higher interest rates and a fall after year-end window dressing combined to pressure the market. The TSE-300 composite index dropped 29.75 to 4,183.86 at noon in thin volume of 13.9m shares. Losses were led by a 2.5 per cent fall in precious metals shares, in response to the falling gold bullion price.

Latin America weak

Mexican shares reversed initial gains, registering a net decline of 1.3 per cent at noon. The IPC general index was 30.59 lower at 2,323.65 after a morning's peak of 2,378.09, as brokers waited for a speech by the country's president, Mr Ernesto Zedillo, on his emergency economic plans.

The change of mood was reflected in Argentina, and in Brazil. The former's Merval index slid from near stability to an intraday drop of 19.53 or 4 per cent to 463.16, following a 10.5 per cent rebound in the previous two sessions.

In São Paulo, the Bovespa index was showing a fall of 1,961 or 5 per cent to 41,229 by late afternoon.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+0.70	+1.20	-11.62	-11.62	-6.58	-1.21
Belgium	-0.80	-1.45	-8.83	-8.83	-2.07	+3.55
Denmark	+1.40	+2.26	-8.77	-8.77	-3.67	+1.86
Finland	+2.17	+0.31	+23.54	+23.54	+42.75	+50.94
France	-2.62	-4.42	-16.39	-16.00	-12.10	-7.05
Germany	+0.63	+2.87	-8.79	-8.79	-3.37	+2.19
Ireland	+0.50	+3.36	+1.91	+1.60	+5.30	+11.35
Italy	+0.51	+1.32	+4.32	+4.03	+3.81	+9.77
Netherlands	+0.27	+1.52	-2.68	-2.68	+3.01	+8.92
Norway	+0.83	+3.54	+6.72	+6.72	+12.22	+18.67
Spain	-2.91	-5.51	-11.58	-12.78	-10.45	-5.30
Sweden	-0.15	-1.40	+4.97	+4.97	+11.30	+17.69
Switzerland	-0.54	+2.13	-9.10	-9.10	-2.46	+3.15
UK	-0.51	+1.61	-10.38	-10.14	-10.15	-4.98
EUROPE	-0.55	+0.49	-8.85	-8.75	-5.78	-0.38
Australia	-0.38	+1.65	-9.38	-9.99	-2.73	+2.88
Hong Kong	-1.21	-0.41	-33.12	-33.27	-36.97	-33.35
Japan	+0.71	+2.61	+7.82	+7.82	+14.06	+20.60
Malaysia	-1.55	-0.13	-20.30	-23.19	-23.36	-18.96
New Zealand	-0.71	-2.75	-9.03	-9.34	-1.89	+3.74
Singapore	-0.86	+2.95	-6.91	-8.03	-4.01	+1.50
Canada	+0.30	+3.05	+0.49	+0.95	-9.88	-4.71
USA	-0.20	+1.26	-1.56	-1.13	-6.50	-1.13
Mexico	+2.27	-2.31	-5.81	-5.96	-43.91	-40.69
South Africa	+1.19	+2.55	+19.87	+19.72	+19.19	+26.04
WORLD INDEX	-0.02	+1.40	-2.21	-2.08	-2.11	+3.51

† Based on December 30, 1994.

EUROPE

Performance contrasts in Frankfurt and Paris

Bourses seemed to pay little heed to the US NAPM figures, *writes Our Markets Staff.*

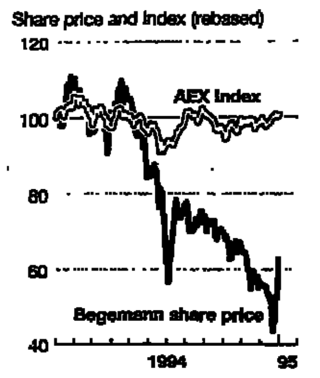
FRANKFURT closed mixed on the session and a little worse than that after hours, the Dax moving from 2,074.78, down 4.67, to an Ibis-indicated 2,068.92. Turnover rose from DM2.9bn to DM3.5bn.

The market had overshot last Friday when it rose 1.4 per cent to 2,106.58, said Mr Deltlev Klug, head of stock trading at B Metzler in Frankfurt; the losses yesterday and on Monday were largely a reaction to that, he said, although investors were also worried about the Russian war in Chechnya and the effect of the Mexican crisis on the US dollar.

Sentiment was nervous, and expressed itself in another fall in Daimler, down DM7 to DM750.50 after the group expressed interest in multimedia expansion – without, said observers, indicating what this might cost. Meanwhile, 1994 outperformers such as Preussag and Thyssen were trimmed back with post-bourse falls of DM6 to DM438 and DM4.50 to DM287.50 respectively.

Department stores acknowledged the onset of the solidarity surcharge on income tax, Karstadt falling DM9 to DM549 and Kaufhof DM5.80 to DM467. General weakness in building industry stocks, with Bilfinger & Berger down DM13 at DM780, Hochtief DM8 at DM914 and Holzmann DM23 at DM817, reflected the prospect of sluggish construction activity in western Germany.

Share price and index (rebased)



Source: FT Graphite

PARIS gave a tentative nod to the strategists who forecast that French equities would outperform this year, the CAC-40 index rising 4.76 to 1,885.91 in turnover of FFr1.85bn.

There were no really strong initiatives at corporate level, although Mr Michael Woodcock at Nikko Securities noted arbitrage among the oil stocks, where Elf-Aquitaine eased 90 centimes to FFr375 and Total rose FFr5.30 to FFr315.50.

Ironically, one of the best gains of the day came in Eurotunnel, up FFr1.05 to FFr25, although its Eurostar service was subjected, at Lille, to one of the worst delays since its launch last November.

AMSTERDAM responded to a weak bond market and the AEX index eased 0.32 to 416.82.

ABN-Amro Bank forecast that new liquidity, a rise in the dollar, a stronger bond market and good company results would drive equities higher in the first half of this year. Thereafter, the incentive for further advances would be limited: bonds would trade in a narrow range; the dollar would stabilise; and the outlook for European economic growth would remain moderate. "Therefore, after our target AEX of 440 has been reached," said the bank, "we expect the market to move sideways."

Begemann, the engineering company, added to Monday's 20 per cent advance which followed the sale of assets, rising another 40 cents or 1.2 per cent to Fl 33.40.

VNU picked up 80 cents to Fl 183.00 ahead of the chairman's forecast of a 40 per cent increase in 1994 net profits.

A Fl 1.10 or 5.6 per cent jump to Fl 20.80 in Simac Techniek, the electrical equipment manufacturer, on top of Monday's 4 per cent rise, was attributed to buying by three portfolio managers.

ZURICH was weighed down by weak bonds and futures, and the SMI index dropped 16.5 to 2,612.3, dragged lower by a SFr26 fall in Nestlé to SFr1,221 in heavy turnover linked to a warrant expiry.

Interest rate-sensitive shares felt some pressure from the futures market, with some investors said to be switching from financials into cyclicals.

UBS bearers weakened SFr29 to SFr1,057 as investors had their first opportunity to respond to the bank's denial late last Thursday of rumours that it had offered a special deal to a large shareholder to win his votes at November's shareholders meeting.

One analyst noted switching out of the stock by domestic investors in a display of renewed disillusion over the latest developments.

SBC finished SFr3 easier at SFr395: over the weekend the chief executive said the bank expected to report 1994 results below earlier expectations, due to lower trading profits and a 15 per cent drop in Swiss interest income.

Among insurers, Winterthur fell SFr12 to SFr668 and Swiss Re was SFr15 down at SFr774.

FT-SE Actuaries Share Indices

Jan 3							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	
FT-SE Eurotrack 100	1333.23	1333.62	1334.30	1335.06	1335.61	1334.38	1333.27	1332.56
FT-SE Eurotrack 200	1389.13	1388.95	1389.00	1390.11	1390.49	1388.86	1387.46	1386.41
	Dec 30	Dec 29	Dec 28	Dec 23	Dec 22			
FT-SE Eurotrack 100	1333.22	1327.46	1346.89	1348.48	1347.88			
FT-SE Eurotrack 200	1390.02	1384.97	1406.13	1404.73	1403.75			

Base 1000 (26/10/90): High/day: 100 - 1336.29; 200 - 1391.21 Low/day: 100 - 1332.06 200 - 1385.64 † Partial

MILAN continued to improve, with foreign investors encouraged by the firmer lira, after Monday's comments by the Bundesbank president that the currency was undervalued, and domestic buyers betting on moves soon towards the formation of an institutional government, headed by a non-political figure. The Comit index finished 6.91 higher at 642.82.

Foreign demand supported the blue chips, Fiat rising L117 to L6,090, Telecom Italia gaining L92 at L4,262 and Generali adding L648 at L38,516.

Credito Italiano rose L40 to L1,746 on the view that the bank was unlikely to offer more of its own money in any new bid for Credito Romagnolo. Rolo climbed L124 to L19,366: on Monday a Cariplo led group was given the go-ahead to launch its bid.

Olivetti moved ahead L40 to L2,108 amid continuing rumours that the company was about to spin off its Omnitel mobile telephone business.

MADRID recovered some of last week's losses on gains in the bond market and a firmer peseta, the general index rising 2.25 to 288.06.

Dealers, however, emphasised that trading was thin, that the atmosphere was not really bullish and that they were not sure when longer term investors would return to the bourse.

ATHENS extended its run to a fourth successive gain, the general share index ending 10.90 or 1.25 per cent higher at 883.92. Turnover was Dr3.53bn, with trade in construction stocks active, brokers talking about sliding interest rates and inflation, and some progress in tendering and the award of contracts for European Union funded public works.

ISTANBUL followed Monday's 8 per cent plunge with a 1.3 per cent recovery, the composite index closing 386.04 up at 25,417.42 after brushing 25,717. Volume was light at TL1,200bn, and the market was still sensitive to the weakness of the lira against the dollar.

WARSAW registered its third gain in a row in higher volume, the Wig index moving forward 290.5 or 3.8 per cent to 7,964.9. Analysts said the latest advance was likely to provoke profit-taking by short-term speculators.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Hong Kong tumbles 4.2 per cent on trade war worries

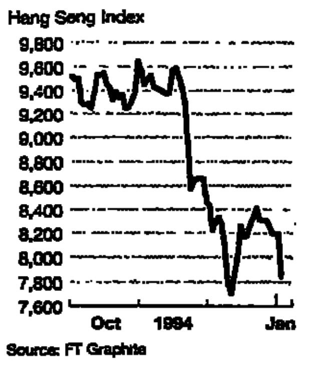
Roundup

Hong Kong was marked sharply lower, but elsewhere, Asia Pacific markets marked time, with many investors away, and in the absence of a lead from Tokyo which was still on holiday. Wellington was also closed.

HONG KONG tumbled 4.2 per cent on fears of a Sino-US trade war and worries about a US interest rate rise later this month. The Hang Seng index dropped 346.90 to 7,844.14, its biggest single day fall since November 23, although support is seen at the 7,600 to 7,800 level. Turnover remained thin, totalling HK$1.9bn.

Hong Kong

Hang Seng Index



Source: FT Graphite

Dealers noted that the sharp setback in the index was led by selling of index futures. The Hang Seng Index January futures ended at a discount at 7,760.

There were no gainers among the blue chips, and property shares were hard hit. Swire Pacific "A" fell HK$3.50 to HK$44.70 and Sun Hung Kai Properties lost HK$2.40 at HK$43.80.

The index of mainland China enterprises listed in Hong Kong fell 47.99 points or 4.5 per cent to 1,021.68. Guangzhou Shipyard declined 17 cents to HK$2.60 and Shanghai Petrochemical shed 15 cents to HK$2.05.

SHANGHAI's A share index was lower in sluggish dealings after a new rule, cancelling same day settlements, was introduced in a bid to stabilise the market. The A index lost 8.10 or 1.2 per cent to 659.66. The B index for foreign investors responded to developments in Hong Kong with a 1.02 or 1.6 per cent loss to 61.78.

BANGKOK edged lower in quiet trade as most institutional investors stayed on holiday. The SET index closed 6.04 down at 1,354.05 in thin turnover of Bt2.7bn, with the finance sector the biggest loser, falling 1.4 per cent.

Bangkok Land fell Bt1.50 to Bt61 on reports that the cabinet had delayed until next week a decision on the contractor to build a sports complex for the 1998 Asian Games.

KUALA LUMPUR was lower in thin volume which left the composite index down 1.51 at 969.70, with 10-cent rises in Tenaga Nasional and Telekom Malaysia to M$10.20 and M$17.40 respectively helping to limit the fall.

MANILA concentrated on secondary issues, in the absence of fresh incentives to take positions in blue chips, as activity picked up after the recent period in the doldrums. The composite index rose 7.07 to 2,805.28.

Analysts noted foreign buying of PLDT, which rose 25 pesos to 1,400 pesos. Elsewhere, Mabuhay Holdings jumped 26.3 per cent to 2.02 pesos.

SEOUL finished lower on institutional selling of large-capitalisation shares but small-capitalised shares with good corporate earnings prospects continued to be in demand. The composite index retreated 13.80 to 1,013.57.

Both Samsung Electronics and Korea Mobile Telecom went limit down, losing Won3,000 and Won10,000 at Won103,300 and Won409,500 respectively.

SYDNEY was lower in very light trading and the All Ordinaries index dipped 7.8 to 1,904.9.

Trading in BHP determined the market's direction for most of the day. The shares opened weaker after its ADRs were sold in New York on Friday. The stock recovered to stand firmer by midsession, but drifted later to close 22 cents off at the day's low of A$19.38.

BOMBAY lost ground, the mood soured by a letter from the Securities and Exchange Board confirming that deals in the B group, which are normally low capitalisation shares, had to be squared in the same weekly account period. The BSE 30-share index lost 15.80 at 3,916.29, amid further uncertainty about the outcome of regional elections next month, which are seen as crucial for the continuance of the government's radical reforms programme.

SINGAPORE was mixed, with selective buying seen in blue chips. The Straits Times Industrial index gained 6.69 at 2,246.25, but volume of just 39.6m shares was at a 12-month low. The market was led higher by a 50-cent rise in Cycle & Carriage to S$13.60 and Fraser & Neave's 60-cent advance to S$15.70.

Power and engineering stock Van der Horst surged 77 cents to S$5.25 in hefty volume of 3.8m shares, on last Friday's better than expected earnings report and rumours about new contracts.

KARACHI was higher as buying on the first day of the new account balanced profit-taking in selective blue chips. The KSE 100-share index rose 12.66 to 2,090.66.

JAKARTA was led ahead by rises in big-capitalisation stocks, although many investors were absent. The official index ended 2.24 up at 472.38 in thin turnover of Rp33.33bn.

Golds lead S Africa decline

Gold shares led declines in a lacklustre Johannesburg performance, although demand was noted from foreign and domestic buyers in second-line stocks. The overall index finished 29.6 off at 5,837.3, industrials receded 9.2 to 6,975.2 and golds fell 38.4 to 1,984.9.

Among the few shares managing gains on the day, Richemont attracted some foreign interest and firmed 25 cents to R42.25 and M-Net moved forward 25 cents to R14.50. De Beers ended off lows at R94.25, down 25 cents on the day. Anglos was R2 lower at R234 and Gencor finished 10 cents down at R14.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 2 1995								FRIDAY DECEMBER 30 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	171.64	0.0	162.68	108.24	138.31	147.17	0.0	3.91	171.64	162.66	108.24	138.31	147.17	189.15	161.21	168.88
Austria (16)	182.74	0.0	173.18	115.25	147.26	147.18	0.0	1.10	182.74	173.18	115.25	147.26	147.19	198.89	167.46	184.98
Belgium (35)	167.90	-0.3	159.11	105.89	135.30	131.79	-0.3	4.19	168.43	159.62	106.22	135.73	132.21	177.04	160.76	162.65
Brazil (28)	161.51	-1.0	153.06	101.86	130.15	251.81	-1.0	0.90	163.17	154.63	102.90	131.49	254.39	–	–	–
Canada (103)	129.39	0.0	122.62	81.60	104.27	131.43	0.0	2.63	129.39	122.62	81.60	104.27	131.43	145.31	120.54	135.79
Denmark (33)	252.02	0.1	238.83	158.94	203.08	208.59	0.1	1.42	251.81	238.63	158.81	202.91	208.42	275.79	236.61	247.20
Finland (24)	189.41	1.9	179.50	119.45	152.63	188.40	1.9	0.74	185.96	176.23	117.28	149.85	184.97	201.41	123.20	123.20
France (102)	163.55	0.0	154.99	103.14	131.79	136.91	0.0	3.13	163.55	154.99	103.14	131.79	136.91	185.37	159.34	175.96
Germany (58)	141.68	-1.1	134.26	89.35	114.17	114.17	-1.1	1.82	143.31	135.81	90.38	115.48	115.48	150.40	128.37	140.24
Hong Kong (56)	326.14	0.0	309.07	205.68	262.82	323.98	0.0	3.82	326.14	309.07	205.68	262.82	323.96	506.56	305.99	469.31
Ireland (16)	206.23	0.0	195.44	130.06	166.19	188.16	0.0	3.39	206.23	195.44	130.06	166.19	188.16	216.60	177.56	185.21
Italy (59)	74.96	-0.4	71.04	47.28	60.41	90.82	-0.4	1.74	75.29	71.35	47.49	60.68	91.22	97.78	65.87	68.59
Japan (484)	156.94	0.0	148.73	98.98	126.47	98.98	0.0	0.77	156.94	148.73	98.98	126.47	98.98	170.10	128.93	130.13
Malaysia (97)	479.37	0.0	454.29	302.32	386.30	471.43	0.0	1.79	479.37	454.29	302.32	386.30	471.43	621.63	430.71	591.54
Mexico (18)	1408.10	-0.7	1332.51	886.77	1133.07	7571.47	-0.7	1.35	1416.15	1342.03	893.10	1141.16	7625.56	2647.08	1198.49	2387.72
Netherland (19)	217.59	0.3	208.21	137.23	175.35	172.34	0.3	3.35	216.88	205.53	136.78	174.77	171.77	223.30	191.28	199.11
New Zealand (14)	70.45	0.0	66.77	44.43	56.77	58.44	0.0	5.01	70.45	66.77	44.43	56.77	58.44	77.89	62.05	67.91
Norway (23)	214.65	0.7	203.42	135.37	172.97	197.07	0.7	1.66	213.17	202.01	134.44	171.77	195.71	214.65	177.53	179.64
Singapore (44)	373.04	0.0	353.52	235.26	300.61	250.64	0.0	1.71	373.04	353.52	235.26	300.61	250.64	401.38	294.66	367.53
South Africa (59)	336.71	0.0	319.08	212.35	271.33	299.89	0.0	2.20	336.71	319.06	212.35	271.33	299.89	342.00	205.55	257.15
Spain (38)	132.25	0.2	125.33	83.40	106.57	131.88	0.2	4.39	131.96	125.05	83.22	106.33	131.59	156.79	129.44	139.36
Sweden (48)	233.30	0.9	221.10	147.14	188.01	256.76	0.9	1.52	231.11	219.02	145.76	186.24	254.35	242.81	196.37	196.37
Switzerland (47)	165.19	0.0	156.54	104.18	133.11	134.02	0.0	1.82	165.19	156.54	104.18	133.11	134.02	176.56	149.81	160.14
Thailand (46)	158.16	0.0	149.89	99.75	127.46	154.11	0.0	2.40	158.16	149.89	99.75	127.46	154.11	–	–	–
United Kingdom (205)	194.83	0.0	184.63	122.87	157.00	184.63	0.0	4.17	194.63	184.63	122.87	157.00	184.83	214.96	181.11	206.05
USA (513)	187.76	0.0	177.93	118.41	151.30	187.76	0.0	2.95	187.76	177.93	118.41	151.30	187.76	198.04	178.95	189.90
Americas (662)	174.16	0.0	165.05	109.84	140.35	145.80	0.0	2.89	174.21	165.09	109.86	140.38	145.84	–	–	–
Europe (723)	168.80	-0.1	159.97	106.45	136.02	150.46	-0.1	3.10	168.96	160.11	106.55	136.15	150.62	178.58	160.59	168.44
Nordic (128)	226.52	0.9	214.67	142.86	182.54	212.49	0.9	1.38	224.48	212.73	141.57	180.89	210.57	233.91	189.51	189.51
Pacific Basin (809)	164.30	0.0	155.70	103.62	132.40	107.93	0.0	1.13	164.30	155.70	103.62	132.40	107.93	176.88	144.74	145.06
Euro-Pacific (1532)	166.08	0.0	157.39	104.74	133.83	124.83	0.0	1.96	166.14	157.45	104.78	133.88	124.88	175.14	155.05	165.05
North America (616)	184.14	0.0	174.50	116.13	148.38	183.87	0.0	2.94	184.14	174.50	116.13	148.38	183.87	192.73	175.67	186.37
Europe Ex. UK (518)	151.13	-0.1	143.22	95.31	121.79	130.23	-0.1	2.48	151.35	143.43	95.45	121.96	130.42	158.12	144.12	147.56
Pacific Ex. Japan (325)	238.23	0.0	225.77	150.24	191.98	208.47	0.0	3.19	238.23	225.77	150.24	191.98	208.47	296.21	224.17	288.78
World Ex. US (1740)	167.22	-0.1	158.47	105.46	134.75	128.43	-0.1	1.97	167.31	158.55	105.52	134.82	128.50	176.65	157.28	157.28
World Ex. UK (2048)	170.89	0.0	161.95	107.78	137.71	142.90	0.0	2.11	170.96	162.01	107.81	137.76	142.95	178.89	163.84	163.84
World Ex. Japan (1769)	183.54	-0.1	173.94	115.75	147.90	174.66	-0.1	2.98	183.63	174.02	115.81	147.97	174.75	195.20	176.34	187.72
The World Index (2253)	173.01	0.0	163.95	109.11	139.41	146.69	0.0	2.31	173.07	164.01	109.15	139.46	146.73	180.80	166.19	167.11

Latest prices were unavailable for this edition. Markets closed 2/1/95: Australia, Canada, France, Hong Kong, Ireland, Japan, Malaysia, New Zealand, Singapore, South Africa, Switzerland, Thailand, UK and USA.